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FINANCIAL TIMES

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IRAN

Building bridges to the West

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World News

Cholera breaks out in Hong Kong refugee camp

Three Vietnamese refugees developed cholera at a makeshift camp for boat people on a remote Hong Kong island two weeks after a United Nations report warned insanitary conditions could lead to outbreaks of disease. Page 16

Indians die in strike

At least 11 people were killed and hundreds arrested during a national strike called by the Indian opposition before elections later this year. Page 16

Amnesty on China

Amnesty International fears thousands of Chinese detained since the suppression of the student movement in June have been executed in secret. Page 3

Cambodian talks fail

The international peace conference on Cambodia ended in failure in Paris and called for all 19 countries represented to find a solution. Page 3

Sir Peter Scott dies

Sir Peter Scott, a founder of the World Wildlife Fund, ecologist, painter, writer and broadcaster died from a heart attack at the age of 79.

Tutu's wife arrested

South African police arrested about 200 women anti-apartheid protesters in Cape Town including the wife of Archbishop Desmond Tutu.

E Germany unmoved

The head of the East German Communist Party's political academy rejected the need for "reforms of any kind" despite the flood of East Germans escaping through Hungary to the West. Page 3

Nicaraguan polls

Elliott Richardson, who was US attorney general during the Watergate scandal, will monitor Nicaraguan elections next February for the UN.

Japan to deport

Japan plans to deport Chinese nationals found among a spate of new arrivals of Vietnamese boat people. Page 3

Menem seeks talks

Argentine President Carlos Menem said he welcomes direct talks with British Prime Minister Margaret Thatcher and ruled out force to recover the Falkland Islands.

Soviets consult PLO

Soviet envoy Genadi Tarasov held talks in Baghdad with PLO chairman Yassir Arafat on recent events in Lebanon.

Green university

Europe's first "green" university could be set up in Denmark if financial support can be secured from the EC, Efta and private industry.

Ugandan bourse

Uganda plans to launch a stock exchange next year to help rehabilitate the economy.

Elephant poachers

Tanzania arrested 1,580 people and seized 1,429 guns and 981 ivory tusks in a campaign against elephant poachers.

Casino for Moscow

Soviet authorities, who traditionally call gambling a vice, have allowed the country's first casino to open in the Moscow Savoy Hotel - but only for foreigners.

Business Summary

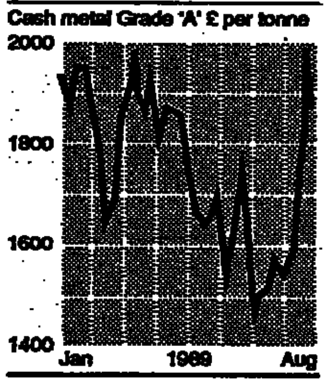
UK's Blue Circle buys US builders supplier

BLUE Circle, which recently raised £250m ($392m) from the sale of its cement and concrete businesses in Mexico, California and Arizona, acquired Georgia Marble, a large aggregates company based in Atlanta, Georgia for $148.5m (£94m). Page 17

COPPER: prices eased on the London Metal Exchange as liquidation continued to be encouraged by the weakness of the Comex market in New York. By the close the cash quotation was down to £1,866.50 a tonne, adding £33.50 to Tuesday's £22.50 decline. Commodities page 38

Copper

Cash metal Grade 'A' £ per tonne



BREL, UK's former state owned rolling stock manufacturer, won a contract worth up to £350m ($550m) to build railway vehicles for the London Underground. Page 16

RANSOMES, UK manufacturer of grass-cutting machinery, is to boost annual sales by more than 80 per cent through a $150m acquisition in the US, and a UK purchase. Page 17

LADBROKE Group, diversified international leisure company, said strong performance in the hotels division helped boost first half pre-tax profits 19.5 per cent to £141.2m ($221.6m). Page 17

SHARP, Japanese consumer electronics group, agreed to distribute some of Swedish Electrolux company's household appliance lines through its more than 5,000 retail outlets in Japan. Page 4

PASMINCO, Australian zinc and lead producer formed by merging the interests of CRA and North Broken Hill, reported after-tax operating profit of A$163.3m ($125m). Page 19

TOSHIBA, Japanese electricals group, and IBM Japan set up a 50/50 joint venture, Display Technologies, to manufacture large colour liquid crystal displays in Japan. Page 4

POHJOLA Group, Finland's biggest insurance company, signed a co-operation agreement in the areas of risk management training and insurance coverage with the Soviet state insurance company Ingosstrakh. Page 4

MIM Holdings, Australian mining group, more than doubled its net profits for the year to June to A$203.5m ($158m), on revenues up 25 per cent at A$2.0bn. Page 19

WOOLTRU, South African fashion, clothing and food retail chain, said pre-tax profit rose 47 per cent to R178.5m ($64.5m) despite Government austerity measures. Page 18

SCANDINAVIAN Airlines System acquired control of USAS, Turkey's airport catering company, in a deal valued at $14.5m. Page 18

AEGON, Netherlands' second largest insurance company, said first half net income rose 22 per cent to Fl 216.7m ($102m). Page 18

HENKEL, West German detergent and special chemicals concern, lifted group pre-tax profit 15 per cent to DM338m ($170.7m) in the first half of 1989. Page 18

Leona Helmsley found guilty of tax evasion

By Roderick Oram in New York

LEONA HELMSLEY, the 69-year-old queen of New York real estate, was pulled down into the ranks of little people yesterday when a jury found her guilty on 39 counts of tax evasion and other charges.

"We don't pay taxes. The little people pay taxes," the billionairess once declared, according to testimony by her former housekeeper during the two month-long trial.

"The tough bitch," as her own defence lawyer described her in court, maintained an immaculate icy calm as she strode down the front steps of the US Court House in Manhattan after the verdict.

"How d'ya feel now, how d'ya feel now," several people in the large crowd chanted. "You cheated, Leona," came the angry shout from another resident of the city in which relatively honest wealth is admired, not condemned.

"No one, regardless of how wealthy or how well insulated by underlings, is free of the tax laws," said Mr Benito Romano, US Attorney, after the trial, underscoring what he felt was the most important principle of the case.

Mr James deVitta, the prosecutor, had laid out to the jury how Mrs Helmsley and two of her lieutenants had conspired to evade $1.2m in federal income taxes in the period 1983 to 1985.

The prime tactic was to bill as business expenses some $4m of renovations to her 28-room country mansion in Connecticut.

The jury appeared to lap up every small detail of her lavish way of life during the trial.

Yet, "they decided the case on the evidence, not on her personality or life style," Mr deVitta said after the trial. "They asked very penetrating questions on legal points."

When the jury began to deliver its verdicts yesterday, Mrs Helmsley, strained but contained to the last, craned forward to look over her attorney's shoulder at the tally-sheet of charges.

Around the 30th guilty verdict, she sat back, looking resigned to her fate. Somewhat better news for her was buried at the end of the litany of 49 charges. The jury found her not guilty on charges of conspiracy to extort, the most serious indictment, carrying a maximum sentence of 20 years.

The prosecution had alleged, for example, that she had demanded kick-backs from suppliers to her luxury hotels. One liquor salesman testified she had forced him to give her 40 per cent of his commissions.

The travails of Mrs Helmsley and her two lieutenants, Franco Turco and Joseph Licari, are far from over. She faces a maximum of 26 years in jail and fines of $1.5m on the proven charges.

The US Internal Revenue

Continued on Page 16

Mrs Leona Helmsley yesterday being ushered into a car outside the New York court where her trial ended in a guilty verdict

Area burnt in Brazil set to fall below last year's total

By Ivo Dawnay in Rio de Janeiro

MORE than 33,000 sq km of Brazil – a land area the size of the Netherlands – has been put to the torch in the last two months, but the total burnt this year is likely to be well below the 120,000 sq km recorded last year, Brazilian scientists claim.

Landowners burn the forest to clear it for agricultural land, and to stake a claim. The effect of destroying such large areas is to contribute to global climate change, by removing trees, which absorb carbon dioxide, and releasing large amounts of the gas into the atmosphere by burning the wood.

The burning season, which begins in late June, is now entering its last month.

Researchers analysing pictures from the US's Noaa-11 meteorological satellite at the Space Research Institute (INPE) in Sao Paulo state calculate that some 40 per cent of the 59,000 fires registered have taken place in areas of virgin forest.

The rest are clearances of scrub and savannah not necessarily illegal under Brazil's recently strengthened ecological laws.

Scientists have attributed the reduction in burnings largely to heavy rainfall, unusual for the dry season.

But officials at IBAMA, the country's newly created environmental agency, claim that action by some 70 field teams now policing the region have also had a big impact.

Both INPE and IBAMA agree, however, that the next month will be crucial.

Heavily criticised abroad for its environmental record, Brazil has this year launched an unprecedented effort to contain the annual forest clearances.

Many ecological groups continue to express scepticism over the emergency conservation measures and dissatisfaction at the NCz8m ($3m) special budget voted by Congress to monitoring illegal rainforest clearance.

Others, including several foreign diplomats in Brasilia, are now convinced, however, that genuine efforts are at last underway to contain a problem, until recently all but ignored.

For IBAMA, the fight to halt the traditional dry season clearances are dogged not merely by lack of resources

Continued on Page 16

Gatt criticises US for unilateral approach to trade links, disputes

By Anthony McDermott in London

THE US yesterday came in for implicit criticism from Mr Arthur Dunkel, Director-General of the General Agreement on Tariffs and Trade (Gatt), for its unilateral approach both to trade links and to attempts to settle trade disputes.

In the introduction to Gatt's annual review*, Mr Dunkel wrote: "It cannot be stressed too often that membership of Gatt involves a commitment to multilateralism and to a balanced and disciplined approach to the resolution of trade problems."

Many of the 96 member states of the Gatt – which sets the not-always-observed rules for some four-fifths of world trade and seeks to settle disputes among its members – were rightly worried by "an apparent drift towards the attempted resolution of trade difficulties through unilateral and discriminatory measures imposed outside the Gatt," he said.

Mr Dunkel did not mention the US – nor any other country – by name. However, diplomats in Geneva made it clear that he was speaking with the US in mind.

They said Mr Dunkel's comments were apparently aimed in particular at tough US legislation permitting Washington to retaliate with trade sanctions against states it considered to be unfair trading partners.

Last May, under the Super-301 clause of its 1988 Omnibus Trade Act, the US Government named Japan, Brazil and India in this category.

It has since been seeking bilateral negotiations with the three, and with South Korea, to iron out their differences – rather than referring the problems to Gatt.

While noting that Gatt "does not rule out bilateral efforts to seek trade benefits – indeed it encourages them," Mr Dunkel said the agreement "does impose limits on the armoury to be employed in securing those benefits."

He added: "Much of this (action) has the potential seriously to damage progress and prospects for the Uruguay Round" – the wide-ranging trade-liberalising negotiations launched under Gatt auspices in Montreal in September 1986.

Mr Dunkel also made reference to the damage caused by such protracted disputes as those between the US and the European Community and Japan.

"Unresolved disputes involving the major industrial powers continue to give a public perception of a worsening international trade environment, even though, for the most part they involve small amounts of trade," he said.

Despite his concern over the response to some trade problems, however, Mr Dunkel included some optimistic comments on the growth in world trade, where, he said "volume grew by 8½ per cent (in 1988).

This was not only a record for the 1980s . . . but . . . a growth broadly based across products and countries."

Looking at the mid-term review, conducted between December 1988 and April 1989, of the Uruguay Round talks, Mr Dunkel was optimistic and said that the exercise had taken the negotiations much further forward than anticipated.

**Gatt Activities 1988, the Gatt Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21, Switzerland. Price SFr12.*

Moldavia faces split decision in language vote

By James Blitz in Moscow

THE MOLDAVIAN parliament was yesterday split evenly over whether to pass an historic law under which Moldavian would replace Russian as the official language of the republic.

Ms Natalia Pascal, a senior official in the independent Moldavian Popular Front, said that about half the 376 deputies will vote today for Moldavian to be the republic's only official language, and the other half will vote for both Moldavian and Russian to be official.

The law would fail on this voting pattern since a two-thirds majority is required.

The split was greeted with dismay by the 3,000 Moldavian nationalists camped outside the opera house in the capital, Kishinev, many of whom have been watching television sets relaying the proceedings.

Keeping Russian as an official language is unacceptable to the republic's powerful Popular Front movement, while a single, official Moldavian language would ensure that, for the first time in half a century, all the republic's official documents and speeches would be written in Moldavian.

While the deputies debated, 90,000 ethnic Russians remained on strike in protest.

With nationalists on both sides setting so much store by today's vote, it is hard to see how the Moldavian leadership can avoid upsetting at least one side.

If the nationalists have been looking for someone to victimise, however, then they have found him in Mr Georgy Ovcharenko, the special correspondent of the Communist Party newspaper, Pravda, who is in Kishinev.

On Tuesday, about 15 deputies of the Moldavian parliament signed a petition demanding Mr Ovcharenko be expelled from the republic for having recently written two vitriolic articles which savaged both the Moldavian Communist Party and the Popular Front.

Their petition must have failed, because Mr Ovcharenko hit back yesterday, writing under a Kishinev by-line.

He relates the furious attempts by local Party officials to stop one of his articles being printed in a Moldavian language newspaper, and prints the names of the offenders.

His conclusion: "The situation in Moldavia is controlled neither by the Central Committee, nor by the Supreme Soviet, but by the nationalist, anti-Russian, Popular Front."

Series of judgments encourage both sides in Victoire battle

By Our Financial Staff

The FFr24bn (£2.32bn) battle for Compagnie Industrielle, the French holding company, and Groupe Victoire, the insurance company it controls, remained in the balance yesterday after a series of judgments gave encouragement to both sides.

In a long-awaited decision, Judge Philippe Grandjean's Paris commercial court decided to prolong indefinitely a temporary injunction freezing 14.9 per cent of Industrielle's capital held by its own units in a technique known as *autocontrole*.

The move helps Compagnie Financière de Suez, the French financial group, in its hostile bids for Industrielle and Victoire – the largest in French history – since it prevents Mr Jean-Marc Vernes, Industrielle's chairman, from taking advantage of the voting rights of the shares, observers said.

Mr Vernes already controls 25.8 per cent of Industrielle's voting rights through another unit, Société Centrale d'Investissement.

However, later in the day the Paris stock exchanges' board (CBV) granted Industrielle a two-day extension to the deadline for lodging its defensive counter-bid.

The CBV said that Industrielle had until midnight tonight to announce its defence to Suez' hostile bid. The CBV said it decided to grant the delay after noting that all parties involved recognised that only a counter-bid was possible as a defence. Mr Vernes had requested the extension on Monday.

Suez had no immediate comment on the delay.

News of the two-day extension on Industrielle's deadline for declaring a defensive counterbid failed to excite the market. Mr Vernes appeared to be having trouble finding allies to fund his defence, dealers said.

Shares in Victoire, the final aim of Suez's bid for Industrielle, ended FFr14 down at FFr1,800, still well below the FFr2,000 Suez has said it will offer if successful in obtaining control of Industrielle.

Under French law, a defensive counter-bid must be 5 per cent above the overall valuation of FFr19.5bn which Suez's FFr18,000 per share bid places on Industrielle.

The counter-bid can be for less than 100 per cent of Industrielle capital as long as all shareholders are offered the same deal on a proportional basis, regulatory officials note.

Suez is bidding for 100 per cent of Industrielle and if it wins will launch a secondary bid for Victoire, which is 40 per cent owned by Industrielle.

In its evidence to the Paris commercial court, Suez had argued that the 14.9 per cent stake in Industrielle controlled by the holding company's subsidiaries should either be sequestered or evenly divided among shareholders, according to the size of their stakes.

The court said it was unable to reach a decision on whether or not to sequester the shares, saying such a decision would be premature.

MARKETS

STERLING
New York lunchtime:
$1.5775
London:
$1.5825 (1.584)
DM3.08 (3.07)
FFr10.37 (10.335)
SFr2.655 (2.645)
Y227.5 (226.75)
£ Index 91.6 (91.4)

GOLD
New York: Comex Dec
$367.6
London:
$360.75 (361.75)

N SEA OIL (Argus)
Brent 15-day
$17.10 (-0.025) (Sept)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.9535
FFr6.5755
SFr1.683
Y143.875
London:
DM1.9465 (1.9375)
FFr6.5625 (6.525)
SFr1.6775 (1.669)
Y143.7 (143.1)
$ Index 71.0 (71.2)
Tokyo close: Y143.08

US LUNCHTIME RATES
Fed Funds 8⅞%
3-mo Treasury Bills:
yield: 8.12%
Long Bond:
99½
yield: 8.19%

STOCK INDICES
FT-SE 100:
2,381.3 (+0.5)
FT Ordinary:
1,970.9 (−1.8)
FT-A All Share:
1,203.87 (−0.1%)
FT-A long gilt yield index high coupon:
9.40 (same)
New York lunchtime:
DJ Ind. Av.
2,716.38 (−10.25)
Tokyo: Nikkei
34,471.66 (−215.99)

LONDON MONEY
3-month Interbank:
closing 13 11/32% (13 11/32)

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Stalinist bulwark of E Germany fends off tide of reform

East Germany's 77-year-old leader Erich Honecker (left) remains convinced that party policies will continue unchanged. The hardline leadership dug in its heels yesterday and rejected any suggestion of political reform. Page 2

REFUGEE DEAL WITH HUNGARY OFFERS CHANCE OF ESCAPE TO WEST

Bonn to receive thousands of E Germans

By Leslie Colitt in Berlin

WEST GERMANY was preparing yesterday for the arrival in coming days of thousands of East Germans who have been waiting in Hungary for a chance to escape to the West.

The Red Cross in Bavaria said 4,000 East Germans from Hungary were expected to arrive at two "tent cities" to be erected near Passau and Freilassing at the Austrian border which are to serve as reception camps. The West German Interior Ministry has called on Bavaria to provide facilities for the new arrivals.

Mr Hans Klein, the Bonn Government spokesman, confirmed that "very many" East Germans were likely to arrive shortly. West German press reports spoke of between 15,000 and 20,000 East Germans being allowed out of Hungary by next weekend under a deal between Hungary and West Germany. One element was said to involve the mutual abolition of visas by the two countries which would allow East German citizens with passports issued by the West German Embassy in Budapest to leave Hungary.

German economic aid for the Hungarian reforms was also said to be part of the package. West German officials said yesterday they could not comment on any "speculation."

Dr Istvan Degen, a spokesman of the Hungarian Communist Party, said a "partial solution" had been found for the dilemma of the East Germans seeking to leave Hungary. It would not satisfy everyone he said with an apparent nod in the direction of East Germany but was the best that could be obtained at the moment. Mr Klein said Hungary had been placed in a difficult position. Budapest wanted to be as helpful as possible but did not want to isolate itself within the Warsaw Pact.

More than 200,000 East Germans - the great majority of them holidaymakers - were in Hungary this week and no one, least of all the Hungarians, knew how many of them might suddenly decide this was their last chance to get to West Germany.

The exodus of East Germans is presenting Mr Erich Honecker with one of the most serious dilemmas of his 17 years in office. He has refused to even allude to the flow of refugees, except to note that East Germany was determined to continue on its present course.

Neues Deutschland, the main communist newspaper, has published testimonials from East Germans in recent days proclaiming their allegiance to East Germany's orthodox brand of socialism.

Stalinist bulwark fends off tide of reform

Leslie Colitt explains why East Germany is holding out amid a rising sea of change

DESPITE the record number of East Germans escaping through Hungary to the West, the hardline East German leadership yesterday dug in its heels and rejected any suggestion of political reform.

Mr Kurt Tiedge, head of the Communist Party's political academy, said "nothing, absolutely nothing" argued in favour of a change in policy. East Germany was a "firm bulwark of socialism" and had no need for either a social market economy or "any other change" he said in the Party newspaper Neues Deutschland.

Earlier this week, East Germany's 77-year-old leader, Mr Erich Honecker, thanked the population on page one of Neues Deutschland for the congratulations he had received on his recent birthday and the get-well wishes after his gall bladder operation. He said they had strengthened his conviction that the policies of the late party congress would continue to be "successfully realised."

But as East Germany prepares to celebrate its 40th anniversary on October 7, popular discontent is greater than at any time since the German Democratic Republic was founded in 1949. After 25 years the ban on travel to the West is gradually being lifted, and there were a record number of legal emigrations to the West this year, but this is no more than a sticking plaster on a festering wound.

East Germans are tired of being told what is good for them by a group of paternalistic old autocrats. They are tired of working as hard as West Germans but getting nothing like their material rewards.

Thousands have voted with their feet and have fled to the West through Hungary with an immense cost to East Germany in lost skills and talent.

East Germans were deeply disillusioned by Mr Honecker's refusal to follow the Soviet Union, Hungary and Poland in introducing political and economic reforms.

Superintendent Christian Ziemer of the Protestant Church in Dresden notes that while citizens are deeply frustrated by the lack of reforms they do not openly oppose the leadership. Instead they apply to emigrate to the West and if this is denied they often try to escape.

East Germany yesterday maintained an icy silence over a report by the West German intelligence agency BND that a gallstone operation two weeks ago on Mr Erich Honecker, (right) the 77-year-old East German leader, was unsuccessful, writes Leslie Colitt.

The East German news agency ADN said last Monday Mr Honecker was recuperating after the operation. A meeting between Mr Honecker and Mr Walter Momper, the Governing Mayor of West Berlin, has been cancelled by the East Germans.

"It is like in a marriage. One divorces rather than trying to solve the conflict," he said. The churchman criticises West Germany for easing the separation by automatically bestowing its citizenship on East Germans arriving in the West.

Ironically, the lack of a broadly-based opposition is also the result of the considerable economic assistance which East Germany receives from West Germany. This aid partly makes up for the low level of productivity and innovation in the centrally-planned East German economy. It reduces the urgency for economic change which exists in the Soviet Union and Poland.

The tiny opposition movement in East Germany consists mainly of intellectuals and operates under the umbrella of the Protestant Church, but it has failed to gain a following among ordinary citizens.

Senior East German officials appear confident that the Soviet Union is content with the status quo in East Germany and has no wish to push for reforms in East Berlin which could veer out of control. Mr Otto Reinhold, a senior Central Committee advisor to the ruling Politburo, notes that the Soviet Union wants stability above all on the highly sensitive border between East and West Germany.

"Moscow cannot afford a Tbilisi in Rostock" he said in an emotive allusion to the bloody suppression earlier this year of demonstrations for independence in Soviet Georgia. Popular unrest in Rostock or any other East German city, in other words, would be fatal.

A basic difference exists between East Germany and its Warsaw pact allies Mr Reinhold notes. The others were nations long before they became socialist. East Germany, however, was different. It was only conceivable as a socialist state, as the "socialist alternative" to West Germany. "What reason would a capitalist GDR have for existing next to a capitalist Federal Republic? None, naturally," he said Mr seeking to explain why East Germany could not reform its orthodox brand of socialism.

The worst fears of the East German leadership were confirmed by the mass strikes in the Soviet Union and the victory of the opposition in elections in Poland and Hungary. The German Communists had warned that a loosening of the Party's control over the masses would lead to chaos. Mr Honecker argued that more than ever political continuity was essential in East Germany in order to assure the country's stability.

He was determined to lead the Party for another five years after the Party Congress next May. But it took no more than an attack of gallstones last month and his recent operation to revive speculation in East Germany over a possible successor. His "crown prince," Mr Egon Krenz, 52, Politburo member in charge of internal security, is scarcely more popular than Mr Honecker. Mr Krenz's hooded eyelids – the result of illness – give him a tired and sinister appearance.

His chief rival is the more popular Mr Günter Schabowski, the First Secretary of the Party in East Berlin who has been variously described as a potential reformer and a hardliner. He earned the latter reputation during a recent trip to China where the Peking leadership praised East Germany for supporting its elimination of the New Democracy movement. One unmistakeable sign of the times is that Mr Schabowski's vivacious Russian-born wife, who only a few years ago would have been a prime political asset for a senior East German Party official, is now considered a liability in the light of the cool relationship between the leaders of East Germany and the Soviet Union.

Mazowiecki faces opposition from Solidarity farmers

By Christopher Bobinski in Warsaw

TENSIONS between rural Solidarity, Poland's independent farmers' union, and Mr Lech Walesa's Solidarity trade union, its ally since 1981, are increasingly coming to the surface and complicating efforts to form the next government by Mr Tadeusz Mazowiecki, the new Prime Minister.

Most recently, the farmers' movement, which has its representatives in both the Sejm (lower house) and the Senate and played a crucial role in securing last June's election victory for the opposition, has signalled that it will vote against the appointment of Mr Kazimierz Olesiak from the established Peasant Party (ZSL) as Agriculture Minister.

This challenges a commitment made by Mr Walesa in his talks earlier this month with the ZSL during which he successfully prised the party away from its alliance with the Communists to leave this ministry in their hands. As a result, Mr Mazowiecki may be forced to leave in place Mr Olesiak, who has been Farming Minister since last autumn and who enjoys the support of both warring factions in the ZSL, at the price of appointing a rural Solidarity activist as one of his deputy premiers.

Rural Solidarity and its leader, Mr Jozef Slisz, is already furious that Mr Walesa conducted his negotiations with the ZSL without consulting them, and, as a result, it has formed a separate "agriculture section" within the Solidarity parliamentary group (OKP), a mere step away from setting up its own parliamentary faction.

Rural Solidarity is also closer than its urban counterparts to establishing a separate political party based on the countryside but looking for votes in the towns and in a position to win the support of the Catholic Church hierarchy.

Earlier this week the Dziekania group, a fledgling centre-right political debating club, which enjoys Church support, said it supported efforts by Mr Slisz to find a "formula for political and not only trade union action".

Also, Mr Richard Reiff, once the head of Pax, a Catholic movement loyal to the Communists but who voted against martial law in 1981 and is now a Solidarity senator, retains good relations with Mr Slisz. Mr Reiff is now making a bid to regain control of Pax, which has 10 deputies in parliament, but, more important, is a flourishing business operation which could provide crucial financial support were he to succeed and decide to join a new peasant political grouping.

At the same time, members of the 76-strong ZSL parliamentary action group, led by its chairman, Mr Alexander Bentkowski, are seeking to topple the present ZSL leadership and restore the party's original traditions destroyed in the late 1940s, after its failure to check the advance of the Communists. This group is seeking to have the rural Solidarity deputies join its movement.

Mazowiecki greets Rau on the first day of the visit by the North-Rhine Westphalia leader

Rau urges Western credits for Poland

By David Marsh in Warsaw

POLAND may face internal conflict unless rapid improvements are made in the economy, Mr Johannes Rau, Prime Minister of the West German state of North Rhine-Westphalia, warned yesterday after talks with the new leadership in Warsaw.

Mr Rau, who held talks with Mr Tadeusz Mazowiecki, the Prime Minister, spoke out for a concerted Western credit programme to help Poland out of its worsening economic malaise.

Mr Rau echoed the views of Mr Lech Walesa, the Solidarity leader, who said recently that Poland had only about a year to show a change for the better.

"Poland has to make its own efforts. But it is also relying on help from us," Mr Rau said on the first day of a three-day visit timed to coincide with the 50th anniversary of the start of the Second World War.

He pointed out that North Rhine-Westphalia – West Germany's most populous state – accounted for one-third of the country's trade with Poland.

Mr Rau, a leading figure in the Social Democratic Party, said he had no power himself to offer economic help. But the "dramatic developments" in Poland had made it all the more urgent that Mr Helmut Kohl, the West German Chancellor, should visit Poland soon. Mr Rau said that Mr Mazowiecki had made clear his expectation that the Chancellor would soon travel to Warsaw.

The Chancellor's long-planned visit has been held up because of difficulties in talks on new credits between Bonn and Warsaw this summer.

Mr Rau, who is accompanied by representatives of some leading engineering companies, said he had held out offers of co-operation in environmental technology, plant construction and management training.

He also had talks yesterday with Mr Tadeusz Olechowski, the new Foreign Minister.

W German subsidies to fall by 5 per cent

THE West German Finance Ministry yesterday announced that federal subsidies would fall by 5.7 per cent to DM 29.6bn ($15.25bn) next year mainly as a result of the current tax reform which is cutting out some tax relief, writes David Goodhart in Bonn.

The Finance Ministry said that direct Federal subsidies would fall DM 300m to DM 14.2bn and tax relief would be cut by DM 1.5bn to DM 15.4bn. Federal subsidies as a percentage of GNP will fall to 1.3 per cent from as high as 2 per cent in the 1970s.

The ministry said that these figures left West Germany in the middle of the field in international subsidy comparisons. However many organisations continue to criticise the size of the payments especially to agriculture, coal and the railways.

Recently the OECD report on Germany said that: "One important reason for the lack of progress in reducing subsidies is the highly decentralised decision-making process in this field of public spending with Laender governments administering more than half of all subsidy programmes, a feature which serves to enhance the political effectiveness of lobby groups."

Papandreou seeks poll alliance

Mr Andreas Papandreou, the former Greek premier, said yesterday his socialist party was willing to do a deal with the communists in national polls in late October, Reuter reports from Athens.

Mr Papandreou, whose Panhellenic Socialist Movement (Pasok) suffered a crushing defeat in June parliamentary elections, said the socialists and the communists should join forces to keep the conservative New Democracy party out of office.

The communists emerged as power brokers in an inconclusive poll in June, since when Greece has been run by an unprecedented conservative-communist coalition.

The communists have said they will not co-operate with the socialists as long as Mr Papandreou is their leader.

Mr Papandreou is under investigation for possible involvement in a $200m embezzlement case.

EC probes possible cattle disease

THE European Community is seeking information on a possible outbreak of cattle disease in Spain, a country already suffering from a horse plague which has killed about 450 animals, Reuter reports from Valladolid, Spain.

The request for a detailed report on the possible presence of peripneumonia had gone to the central region of Castilla-Leon, Pedro LLorente, director general of Agricultural Food Industries, said yesterday. He said the report would show the disease had been eradicated.

Romanian envoy criticises UN report

A ROMANIAN envoy said yesterday a countryman who compiled a United Nations report alleging repression and poverty in Romania either ill or acting for political purposes, Reuter reports from Geneva.

Mr Ion Diaconu, nominee to a UN human rights panel, said the report by his UN predecessor, Professor Dumitru Mazilu, was mainly "a political pamphlet, a collection of slogans." The report implicitly accused President Nicolae Ceausescu of political repression and economic incompetence.

Row mars ceremony

A ROW between world Jewry and the Polish Catholic Church is casting a shadow over ceremonies to mark the 50th anniversary of the start of World War Two, Reuter reports from Warsaw.

Many Jews have refused to participate because of a row over the church's refusal to honour an agreement to remove a convent from Auschwitz, where 4m Jews were exterminated during the war.

Danes back idea for 'green university'

By Xueling Lin in Copenhagen

EUROPE'S first "green" university could be set up in Denmark if financial support can be secured from the EC, Efta and private industry.

The idea of an environment university based in Denmark, acting as a co-ordinating link for research and environment activities in EC and Efta countries, has received strong backing from the Danish Education Minister, Mr Bertel Haarder.

The university, tentatively dubbed Clene (Central Laboratory for the Environment – North Europe), is expected to cost about DKr3bn (£251m) to set up, with running costs of DKr250-300m a year.

Mr Haarder said most of the funding for Clene would have to come from private sources.

The Danish Environment Ministry, which plans to spend DKr21bn between now and 1994 on the environment, will try to link the university to the European Commission's plans to set up a joint environmental research agency.

The idea was put forward by Mr Pehr Gyllenhammer, chief executive of Volvo at an environment fair, Ecology '89, held recently in Göteborg, Sweden. Mr Gyllenhammer is known in Scandinavian business circles for his dynamic management style as well as for an expensive advertising campaign to promote Volvo as an environment-friendly company.

The decision to place the university in Denmark was influenced by Denmark's membership of the EC. Mr Gyllenhammer doubted that the EC would accept advice from a university based in an Efta country. Its geographical position, being close to the Baltic states which suffer from serious air and water pollution, was seen as an advantage.

Pollution from East European countries, particularly Poland and East Germany, has been the focus of growing concern for the Scandinavian bloc. The regional grouping, the Nordic Council, has been discussing the possibility of jointly providing cheap loans, directed at cleaning up the environment and encouraging the use of cleaner energy sources, in eastern Europe.

Rome minister attacked for Tripoli visit

By Alan Friedman in Milan

MR Gianni De Michelis, Italy's newly installed Foreign Minister, looks set to become the only fully ranking Nato Foreign Minister to participate in Col Muammer Gadaffi's celebration tomorrow of the 20th anniversary of the Libyan revolution in Tripoli.

Mr De Michelis will travel to Tripoli tonight despite the controversy already triggered in Rome by his plan to visit a country which three years ago fired a missile at Italian territory and is suspected of having financed numerous acts of terrorism on Italian soil.

By participating, Mr De Michelis will also become the first Foreign Minister of a European Community government to meet the Libyan dictator since EC sanctions were imposed on Tripoli in 1986.

Five years ago Italy was represented at Libya's 15th anniversary of its revolution by Mrs Susanna Agnelli, an under-secretary at the foreign ministry.

In Rome the Republican Party, a centrist member of Italy's five-party coalition government, has sharply criticised the planned Libyan trip.

Italy is Libya's biggest importer of crude oil, last year buying 18m tonnes of crude. Last year bilateral trade amounted to L 4,900bn (£2.2bn).

Environment 'threatened by single market'

By Tim Dickson in Brussels

A WARNING about the adverse environmental consequences of creating a single European market is contained in a memorandum published yesterday by the European Environmental Bureau, a Brussels-based lobby group which brings together various non-governmental organisations.

The EEB's submission to Mr Brice Lalonde, the French environment Minister who will chair EC Council meetings until the end of the year, points out that large amounts of financial aid will be needed by member states poorly endowed with "clean technology", and the Mediterranean region in particular faces the worst environmental threat.

"This is the only way to combat the negative fall-out, for the environment, of the increased growth announced in the Cecchini report (the study which tried to quantify the positive impact on jobs and investment of a single European market): more atmospheric pollution, more transport (road and air) problems, more exports of waste".

Turning to current and planned investment programmes, the EEB regrets that funds earmarked for financing specific environment programmes for the Mediterranean are currently blocked, while it fears, notwithstanding a change in the rules, regional fund projects will continue to "destroy" the southern region of the EC.

The memorandum is also highly critical of European Commission and French Government ambitions to establish a new European environmental agency (a top political priority for the second half of this year). The EEB is concerned the new body will not be sufficiently independent of member state governments – and it will therefore not inspire popular confidence in its aims of strengthening the environment.

The choice of title, moreover, is misleading – inviting comparison with the Federal Environmental Protection Agency in West Germany and its equivalents in other countries such as the Environmental Protection Agency in the United States.

"These are all executive agencies with a clear role in the development and implementation of environment policy.

"The proposed agency has no such powers, its functions are strictly confined to the collection and dissemination of environmental information."

Spanish Conservatives prepare for elections

By Tim Burns in Madrid

SPAIN'S Conservative opposition, convinced that Socialist Prime Minister Mr Felipe Gonzalez is poised to dissolve parliament and call elections in October, has chosen a relatively unknown 36-year-old regional politician to head the party at the polls.

Mr Gonzalez is widely expected to announce a snap election after tomorrow's cabinet meeting and polling day is assumed to be Sunday October 29. This would be eight months before his mandate expired. Mr Gonzalez came to power in a landslide triumph in October 1982 and was returned with an overall majority in June 1986.

Anticipating the poll announcement, sources in the opposition Partido Popular (PP) said yesterday that the party's founder and president, the veteran Spanish Conservative Mr Manuel Fraga Iribarne, had chosen Mr José Maria Aznar, chief minister of the regional government of Castile-Leon in north central Spain, to lead the election campaign for the right-wing opposition.

Saying he wanted 2a Conservative option for the future", Mr Fraga preferred Mr Aznar over party stalwarts such as Mr Marcelino Oreja, the PP's main candidate in June's European elections, and Mr Miguel Herrero de Minon, the party's experienced spokesman in the Cortes (parliament).

Mr Fraga, who has lost all four general elections since democracy was restored in Spain in 1975, is running for office in regional elections in his home state of Galicia.

Mr Aznar will be formally endorsed as the PP's candidate for Prime Minister by an executive meeting of the Conservative party early next week.

In the 1986 general elections Mr Gonzalez' Socialists won 44 per cent of the votes against 26 per cent for the Conservatives.

Basque prisoners undergo a term of isolation

Tom Burns on attempts by Madrid to prepare separatists for 'social reinsertion'

NEARLY every day police vans, with a full escort, drive out of Herrera de la Mancha jail, set in isolation on the bleak plain of Castille, south of Madrid, ferrying a small party of Basque prisoners convicted of terrorism. The convicts are bound for prisons as far afield as the Canary Islands and the North African enclaves of Ceuta and Melilla.

The Justice Ministry in Madrid refuses to divulge who is being moved where but officials admit that jailed members of the separatist organisation ETA are being dispersed and forced to mix with ordinary prisoners rather than being held together in a custom-built centre such as Herrera de la Mancha, which was inaugurated with Basque prisoners in mind in 1984. It is a big change of policy.

The Gestoras pro-Amnistia, a prisoners' support organisation in the Basque country, said yesterday that as many as 200 jailed ETA members had been moved from Herrera de la Mancha in the past three months – 100 of them in the last two weeks.

The group expects more transfers among the remaining 60 detainees in the maximum-security prison.

In the prison of Alcala-Meco, half-an-hour's drive east from Madrid, which was the second main detention centre for Basque terrorists, the ETA population has been whittled down from 60 to 10. Gestoras estimates that the 500-odd "Basque political prisoners" are now being held in 80 prisons rather than in less than a dozen as used to be the case.

The decision to disperse convicted ETA members around the country at one level is an attempt to create the conditions for what is called "social reinsertion", whereby individual prisoners apply for a pardon and forswear violence.

At another level it is an attempt to break up the most emotive of the independence organisation's rallying points.

Officials claim that in big detention centres such as Herrera de la Mancha the scores of ETA members were rigidly organised by a handful of "commanders" who ensured that the detainees remained loyal to the organisation. "Jailed ETA men are not hostages of the Spanish state, as the Basque separatists claim," said one official. "They are the hostages of ETA."

The justice and interior ministries are convinced that if they are placed beyond the reach of the prison leaders, some of whom have been convicted on multiple murder counts, many jailed ETA members will, in time, apply for reinsertion. Only some 20 per cent of the ETA prison population is serving the maximum 30-year term on murder counts and the remainder are, in theory, eligible for parole.

Only one jailed member of ETA's hardline "military" wing has been known to have applied for reinsertion.

This occurred three years ago and he was shot dead by ETA soon after his release. Subsequently Maria Dolores Catiaran, a prominent ETA leader in the late 1970s was assassinated by separatist gunmen after she had obtained an official pardon and returned from exile in Mexico to her home village near San Sebastian.

Gestoras contends that the dispersal of the ETA members will only stiffen the resolve of those campaigning for a general amnesty as part of peace negotiations between the Government and the separatist organisation.

The organisation sends Pta 10,000 (£50) a month to ETA prisoners, supports their families when necessary and, until recently, chartered up to six buses every weekend for relatives of prisoners wanting to make the 16-hour round trip from the Basque Country to Herrera de la Mancha.

A Gestoras spokesman in Bilbao said the dispersal was part of package of "repressive" measures recently introduced by the Justice Ministry, which included bans on weekend prison visits, medical treatment by non-prison doctors and on educational courses given to prisoners by Basque teachers.

In addition, lawyers acting for ETA prisoners had difficulty seeing their clients regularly since they were now dispersed among dozens of jails.

He said he believed Herrera de la Mancha would be empty of Basque separatists by Christmas, thus preventing a rally, several thousand strong, that Gestoras has organised outside the prison gates every Christmas for the past four years.

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S Africa to focus on fighting inflation

By Patti Waldmeir in Johannesburg

SOUTH AFRICA must sustain its restrictive monetary and fiscal policies to the end of this year, and possibly until mid-1990, according to Mr Chris Stals, the new South African Reserve Bank governor.

In his first policy speech since taking office three weeks ago, Mr Stals said that the focus of government monetary policy had shifted to the fight against inflation.

The annual rate of increase in the consumer price index, running at 15.5 per cent, is expected to peak at 16.5 to 17 per cent later this year or early in 1990.

Inflation and the high level of interest rates – the rate on new mortgages is nearly 20 per cent – are expected to be crucial issues in the white general election in six days time.

Economists said that Mr Stals' speech suggested interest rates would remain at their current high levels until the end of the year and possibly well into next year.

Speaking at the Bank's AGM on Tuesday, Mr Stals said inflation could no longer be accepted as a consequence of the need for external adjustment and the pursuance of growth beyond the restricted capacity of the economy. Nor could price increases continue to be accommodated through large increases in Reserve Bank credit and in the money supply.

The quarter to quarter increase in M3, the broadly defined money supply, seasonally adjusted and annualised, had peaked at 29.5 per cent in the third quarter of 1988, and declined to 17 per cent in the second quarter of 1989.

However the Bank's annual report notes that this remains an "unacceptably high level".

Mr Stals said the time was opportune to launch a serious attack on inflation, spearheaded by restrictive monetary and fiscal policies. Interest rates would have to remain relatively high, because the maintenance of positive real interest rates was essential.

Mr Stals cautioned against any early relaxation of restrictive policies. He listed rising inflation, the low level of foreign reserves, excessive increases in bank credit extension to the private sector, above target money supply increases and the high level of public sector spending as problems needing attention before policies could ease.

He said a turning point had been reached in economic growth in late 1988 or early 1989.

Insider trading charges dropped

INSIDER trading charges against Mr Roger Bain, an Australian stockbroker, have been dismissed by a magistrate in New South Wales, AP-DJ reports from Sydney.

The magistrate ruled that Mr Bain, a resource analyst with Bain & Company, did not have a case to answer on charges of dealing in shares while in possession of price-sensitive information. The charges were first laid by the New South Wales Corporate Affairs Commission in June 1988.

Mr Bain was charged with another broker, Mr Ian Story, in one of the first insider trading cases in Australia. Mr Story, who was with brokers BZW Meares at the time of the alleged offences, committed suicide earlier this year.

Mr Bain was alleged to have bought shares in Australian United Gold, valued at A$8,914 (£4,330) in June 1987, shortly after drafting a press release for the company, announcing an commercial gold ore discovery. He later sold the shares for A$11,449.

Cambodian peace conference breaks up in bitterness

By George Graham in Paris

AFTER a chaotic day of bitter negotiations and recriminations, the 19-nation international conference on Cambodia broke up yesterday with a final declaration of its intention to continue efforts to find a peace settlement.

It had already become clear that the conference would fail to reach a comprehensive agreement, as the Vietnamese-backed government of Mr Hun Sen and the three-party resistance coalition led by Prince Norodom Sihanouk remained irreconcilable.

Delegates had not, however, expected the acrimonious debates over the final communiqué, which dragged on into the evening. Even apparently anodyne wordings proposed by the French and Indonesian co-presidents of the conference, which neither held Vietnam responsible nor condemned the genocide carried out by the Khmer Rouge, now members of the resistance coalition, who ruled Cambodia between 1975 and 1979, were rejected.

The final statement said that it was "not yet possible to achieve a comprehensive settlement", and suspended the conference's work. It called on France and Indonesia to "lend their good offices as required to participating parties and countries who can facilitate a comprehensive settlement."

Delegates agreed that consultations should resume within six months with a view to reconvening the conference.

Recriminations for the failure of the conference, which opened a month ago amid high hopes of success, were vociferous.

Some Western and many south-east Asian countries blamed Mr Hun Sen and Vietnam for hardening their negotiating position and refusing concessions. Others, however, accused the Khmer Rouge of torpedoing the talks. They said that internal dissensions within the delegation of China, the Khmer Rouge's main sponsor, appeared to have reduced the pressure on the resistance faction to give ground.

Rival parties seem intent on a battlefield solution

George Graham reports on the likely aftermath of the failed international peace conference in Paris

AFTER starting out with high hopes of a comprehensive settlement to the Cambodian conflict, the international peace conference which closed yesterday in Paris couldn't even agree on a final statement to express its disagreement.

Now, the three Cambodian resistance factions, led by Prince Norodom Sihanouk, seem bound to step up their military efforts against the Phnom Penh regime of Mr Hun Sen, supported for the last 10 years by Vietnamese troops who are due to leave the country by September 26.

"My very sad conclusion is that Vietnam and Hun Sen have decided to take the battle to the battlefield to see how strong the resistance forces are," said Professor Tommy Koh, Singapore's ambassador to the US and a delegate at the talks.

If Mr Hun Sen can hold out for long enough without Vietnamese troops, he stands a better chance of winning international acceptance and, eventually, foreign aid.

On the other side, however, it seems clear that the Khmer Rouge, who ruled Cambodia under Pol Pot from 1975 to 1979 and who form the strongest military component of the three-party resistance coalition, are keen to test Phnom Penh's military strength.

"From the deliberate attempts of the Khmer Rouge to foil the negotiations here it is clear that they are planning an offensive. We think the government in Phnom Penh is able to defend itself," said Mr Le Mai, spokesman of the Vietnamese delegation.

Delegates now expect a trial of force between the rival factions over the coming months. Neither China, main backer of the Khmer Rouge, nor the Soviet Union, which supports Vietnam and the Phnom Penh government, appear eager to step up their military aid.

Soviet delegates at the conference have called for military aid to the combatants to be at least diminished in the aftermath of the Vietnamese troop withdrawal, and are unwilling to envisage direct intervention on behalf of the current government, even in the event of a direct Khmer Rouge threat to Phnom Penh, without Western approval.

The position in the field is not expected to become clearer until after the dry season next spring, during which the rivals will launch their offensives.

"Continuing stalemate on the battlefield might alter the attitudes of the Cambodians," commented one delegate.

The divergences between the different camps proved unbridgeable in the short space of time allotted to the conference - hurriedly brought forward because of Vietnam's announcement that it would withdraw troops from Cambodia by September 26.

"The Cambodian conflict looked like a very good candidate for a solution. There were so many objective reasons why the conference should succeed. But it looks as though we overestimated, both the readiness of the Cambodian parties to make concessions, and the willingness and ability of the major powers to influence them," one delegate said.

In particular, the optimists appear to have misread Vietnam's need for a settlement – a reading based on the dire position of the Vietnamese economy and the country's pressing need for international acceptance and foreign aid.

The International Monetary Fund has been working towards a possible agreement with Vietnam, and a number of large aid donors, especially Japan, are waiting to step in once the Cambodian problem is out of the way.

Western countries attending the conference have tried to make it clear that reopening the aid taps is conditional on a comprehensive peace settlement. "The policy consequences of the failure of the conference will be very unpleasant for Vietnam," said one Western diplomat.

The West has also watched anxiously the emergence of an apparently harder line in Hanoi, where the Politburo last week condemned the emergence of a non-communist Prime Minister in Poland.

On the other side, China does not appear to have lived up to early hopes that it would force its protégés, the Khmer Rouge, into line. Western and South-east Asian countries feel, however, that the Chinese delegation has shown flexibility by conceding that the Khmer Rouge role in a four-party transitional power-sharing arrangements need not be one of full equality with Prince Sihanouk and Mr Hun Sen.

Chinese join refugee boats to Japan

By Robert Thomson in Tokyo

JAPAN plans to deport Chinese nationals found among a spate of new arrivals of Vietnamese boat-people, and has decided to ask the Chinese Government to control the growing number of its nationals posing as refugees.

The decisions yesterday follow the discovery of 81 Chinese nationals among 124 boat people who landed in southern Japan on Monday, and reports that another boat which landed near Nagasaki yesterday contains mostly Chinese and few, if any, Vietnamese.

Japan has been flooded by Vietnamese boat-people this year, as other countries in the region have refused to accept further refugees. In response to the surge in arrivals, the Government has begun preparations for a screening system that would distinguish between political and economic refugees, though how economic refugees will be treated has not been decided.

Last year, 219 boat people arrived in Japan, but the number so far this year is 2,340, and refugee officials here expect further arrivals in coming days. While a formal screening system has yet to be introduced, immigration officials are now questioning new refugees to determine if they are Chinese nationals.

The arrival of Chinese is embarrassing for both Peking and Tokyo, as the latter has no legal provision for accepting Chinese refugees and has apparently decided to classify them as illegal immigrants. Refugee workers have been made suspicious in recent weeks by an ever larger number of refugees able to speak only Cantonese, the southern Chinese dialect, but claiming that they are from northern Vietnam.

Japanese officials believe that a large proportion of the Chinese nationals are ethnic Chinese who fled Vietnam in the late 1970s and resettled in southern China. However, some of those refugees have been unhappy with their life in China, and have joined Vietnamese refugee boats, which routinely make stops on the Chinese coast en route to Japan.

Refugees relax at the Fukuoka immigration centre after their long boat journey

West blocks advance of Condor II missile

By Simon Henderson recently in Washington

US officials say that Western nations and Japan are succeeding in hampering the development of the Condor II, a 1,000km-range missile capable of carrying nuclear and chemical warheads which is being developed by Argentina, Egypt and Iraq.

Planned deployment is considered to have been set back from 1991 until the mid-1990s.

The delay represents a victory for co-operation between the US, Britain, Canada, France, Italy, West Germany and Japan, which in 1987 formed a Missile Technology Control Regime to try to stop long-range missiles becoming part of the arsenals of the Third World. Intelligence sources said that their blocking efforts, mainly restricting exports of sensitive technology, have been helped by a breakdown in co-operation between Argentina, Egypt and Iraq.

Officials have also been putting pressure on commercial companies whose personnel, or former personnel, appear linked to the Condor II because of their connections with a cluster of companies in Switzerland and Austria, known as the Consen Group, which has been acting as a management company for the project.

Italy has recently announced an investigation into nine former employees of the Fiat-controlled rocket engine company, Snia-BPD, because of their alleged involvement. A subsidiary of the West German aerospace giant, Messerschmitt-Bolkow-Blohm (MBB), is also being investigated.

Western officials say that many of the personnel hired for the Condor project by the Consen group have similar career experience in collaborative European projects dating back to the 1960s and extending to the European space rocket, Ariane.

One missile project which came to their attention was a putative UK-West German-Italian multiple-artillery rocket system in the 1960s, known as RS-80, which involved Hunting Engineering of the UK, MBB and Snia-BPD. Among those involved was Ekkehard Schrotz, a former MBB employee and later general manager of Consen whose car was blown up on the French Riviera last year, apparently by Israeli intelligence.

Hunting admits that in 1984 it did work for Desintec, part of the Consen Group, predicting the performance of the rocket motor for Condor I, an Argentinian rocket from which Western officials say that the Condor II was developed. Defence work for Argentina has been banned since the Falklands war in 1982; Hunting says it has never had any connection with Condor II.

French envoy makes little headway in Beirut

By Lara Marlowe in West Beirut

FRENCH efforts to orchestrate a peaceful settlement in Lebanon did not appear to be advancing yesterday. Continuing bombardments in the Lebanese capital forced Mr François Scheer, the director general of the French Foreign Ministry, to confer with Sheikh Mehdi Chamseddine in the stairwell of the Shia Moslem leader's house after the French diplomat was driven across Beirut's dividing green line under shellfire.

Like Arab League and Soviet envoys before him, Mr Scheer has come up against the seemingly insoluble problem of Syria's blockade of Christian Lebanese ports. Syria and its Lebanese allies have refused to stop bombardments as long as vessels are not monitored to prevent arms shipments.

General Michel Aoun, the Christian Lebanese leader, has refused on the grounds that Syria transfers weapons from Damascus to Beirut at will.

Mr Scheer arrived in Beirut on Tuesday, just four days after the departure of Soviet envoy Mr Gennady Tarasov. The French diplomat said there was no "French plan" for a settlement and that there was "complete co-ordination" between Paris and Moscow.

Mr Scheer, like Mr Tarasov, has asked for a return to the resolutions of the Arab League summit in Casablanca last May which called for an unconditional ceasefire, political reforms and the withdrawal of all foreign troops from Lebanon. France and the Soviet Union want to reactivate the tri-partite committee established by the summit.

Fears for jailed China students

By Colina MacDougall

AMNESTY International fears that thousands of Chinese detained since the suppression of the student movement June have been executed in secret, it said yesterday. Beatings, torture and humiliation of prisoners were commonplace.

There was strong evidence, including an official directive known as Document 3, that many detainees had been put to death, especially since Peking had released few details about what happened to those charged with capital offences.

Document 3, approved by the party's Central Committee in June, specifically stated that "counter-revolutionaries" who had committed the "most serious crimes", were to be executed.

Amnesty is particularly concerned about the fate of Wang Dan, a student leader arrested in July. A former police officer who fled China said he had been executed in secret after torture.

Israel's sometimes murky links with Latin America go back a long way

PRESS reporting of Israel's Latin American connection following revelations that Israelis were training Colombian drugs assassins has tended to give the impression that this was a relatively new phenomenon.

Close links with the region – with Central America in particular – go back to the 1930s and 1940s when the Somoza regime in Nicaragua provided diplomatic passports to agents of the Haganah, or forerunner of the modern Israeli army, to buy arms for the Jewish War of Independence.

It was not until the 1960s, however, that relations between Israel and Latin American states blossomed. Between 1964 when a policy of military co-operation was initiated and the beginning of the 1970s there were dozens of visits by personnel representing 18 Latin American nations. Only Cuba and Haiti did not send delegations.

Seeds were sown then for the close military ties that have continued to this day with el Salvador, Honduras, Guatemala, Ecuador, Colombia, Panama and Costa Rica, not to mention Israeli assistance to the Nicaraguan Contras.

Israeli officials are coy these days about the extent of Israel's relations with Latin America in light of the embarrassing revelations about alleged criminal activities of Israeli nationals in Colombia, but the truth is that diplomatically and economically the connection is of continuing importance to the Jewish state.

Israel exports $200m of non-military goods to Latin America and imports items such as meat and coal worth about $500m. Colombia, which supplies coal valued at some $250m a year is a particularly important trading partner.

In the aftermath of the 1967 and 1973 Middle East wars when Israel found itself increasingly isolated in international forums and when its relations with the developing world were at a low ebb it could always look to Latin America for occasional diplomatic support.

Among its staunchest friends throughout the 1970s were countries such as Nicaragua before the fall of Somoza regime in 1979, el Salvador and Costa Rica. Today, only Guyana, Surinam, Nicaragua and, if we stretch Latin America's geographical boundaries, Cuba do not have ties with Israel among Latin American states.

So close are El Salvador and Costa Rica's relations with Israel that the two countries, in defiance of international conventions, have placed their diplomatic missions in disputed Jerusalem instead of Tel Aviv.

Israel's longstanding relations with Nicaragua – it supplied military equipment to the Somoza regime in its final months – drew it, almost inevitably, into supporting the Contras. The Contra connection had unfortunate repercussions for the Reagan Administration when it was revealed in 1986 that Israel was deeply involved in a programme of US arms sales to Iran, and that some of the proceeds were being channelled, in contravention of US laws, to rebels fighting the Nicaraguan Sandinistas.

The Iran-arms-for-hostages scandal focused attention on Israel's murky dealings in Latin America that were highly developed and based on a network of well-connected middlemen, many former Israeli army officers or agents of the Mossad, Israel's overseas spy force.

Typical of these operatives is Mike Harari, former Mossad agent who, for many years, has been close to Panamanian leaders, including General Manuel Antonio Noriega. Little is known about Mr Harari's business affairs beyond, as a colleague has reported, the almost universal assumption that he is an arms dealer.

Israel's military sales programme in Latin America has passed through four phases, according to military experts. The first involved sale of second-hand equipment, the second the provision of military training and advice, the third, the sale of larger items such as boats and aircraft and the fourth, the sale of sophisticated electronics, computer programmes and optical components. Some 16 Latin American countries are Israeli clients, according to the Stockholm-based International Peace Research Institute.

Israel benefited particularly from the decisions of the Carter Administration of the late 1970s to stop military sales to right-wing dictatorships. Israeli arms dealers quickly moved to fill the gap.

Items sold have ranged from the Kfir fighter which has been purchased by Colombia and Ecuador to Galil automatic rifles and Uzi sub-machine guns. Other items sold include the Arava transport aircraft, armoured cars, mortars, artillery pieces and patrol boast.

Estimates of the value of Israel's arms shipments to Latin America range up to about $250m a year out of total sales of military equipment that exceeds $1bn. But defence experts say that recently the Latin American arms trade has become proportionately less important to Israel. With the increasing sophistication of the Israeli arms industry, the bulk of arms exports now go to the US and Europe.

Tony Walker

Lack of locomotion leaves Tazara on the rails

SOME 20,000 tonnes of fertiliser lies uncovered on a quay in the Tanzanian port of Dar es Salaam. It is needed in Zambia now, but the Tazara railway linking the two countries does not have the wagons to carry it, Reuter reports from Dar Es Salaam.

"This fertiliser is urgently needed in Zambia for the November planting season. The problem is that Tazara does not have enough wagons to move it to Zambia," said an official of the Tanzania Harbours Authority.

Since it opened in 1976, the Chinese-built Tanzania-Zambia Railway (Tazara) has provided landlocked Zambia with an extra outlet to the sea for its vital copper exports.

But the 1,860 km line from the Tanzanian port of Dar es Salaam to Kapiri Mposhi in central Zambia faces a chronic shortage of servicable locomotives and wagons to keep abreast of demand.

The railway can carry only half the passengers who want to use it and freight figures are slipping year by year.

The total freight carried by Tazara fell from 1.2m tonnes in the 1986/87 July-June financial year to 1.1m tonnes in 1987/88 and statistics are expected to show a further slight fall for the 12 months ended last June 30.

"The principal reason for the decline has been declining locomotive power over the period. The average number of locomotives available per year has declined from 39 in 1986/87 to 36 in 1987/88 and 34 in 1988/89. This is against a planned average of 42 per year," one Tazara official said.

A European consultant monitoring Tazara believes the original locomotives supplied by China were not mechanically powerful enough to cope with the strain of the railway.

Tazara officials say the railway needs 90 locomotives and 3,200 wagons to operate at its full capacity of 2.5m tonnes of freight per year.

Zambia would like to make greater use of the line since its freight costs are half those of the country's alternative trade routes via Mozambique and South Africa.

Since it opened in 1976, the Tanzania-Zambia Railway has provided Zambia with an extra outlet to the sea for its copper exports. But the 1,860 km line from Dar es Salaam to Kapiri Mposhi faces a chronic shortage of locomotives and wagons. The railway can carry only half the passengers who want to use it and freight figures are slipping yearly.

Zambia already accounts for half of Tazara's traffic and the line has long been the main outlet for Zambia's copper. It plans to send 430,000 tonnes of the metal by rail to Dar es Salaam in 1989/90 up from 370,00 in 1988/89.

Western countries refused to finance the construction of Tazara when the project was first mooted in the 1960s, arguing that the railway would be economically unviable.

But today the West is heavily involved in financing a rehabilitation programme for Tazara as part of international efforts to reduce the economic dependence of the black frontline states on white-ruled South Africa.

Europe and the US have committed $227m of aid to upgrade the railway and almost $400m to refurbish the port of Dar es Salaam to which it is linked.

But diplomats and Tazara officials say recent peace moves in Southern Africa could pave the way for the reopening of other trade routes which would compete with Tazara for traffic.

The Benguela railway, running from the copper mines of Zambia and Zaire to the Angolan port of Lobito, may reopen to international traffic for the first time in 10 years as result of recent moves to end Angola's civil war.

Normal traffic could resume shortly on all three rail routes linking Mozambique with landlocked Zimbabwe and Malawi if current peace talks between the Mozambican government and rebel guerrillas lead to a ceasefire.

"The reopening of the Benguela could put Tazara into serious competition and if present trends continue only official policy could save it," one official involved in Tazara's rehabilitation said.

Plan for 'middle income' debtors

THE World Bank plans a twin initiative next month to ease the debt burden of the world's poorest countries and, significantly, the less well-off among so-called middle income countries, Reuter reports from Cairo.

"We've got new features (in mind)," Mr Edward Jaycox, the Bank's vice president for Africa, said.

The proposals would be submitted to delegates attending the joint annual meeting of governors of the World Bank and International Monetary Fund in Washington next month.

Mr Jaycox was attending a three-day Organisation of African Unity debt seminar in Cairo to discuss the continent's $240bn foreign debt.

Mr Jaycox said the plan brought forward this year by Mr Nicholas Brady, the US Treasury Secretary, to help big commercial debtors would be of less help to other countries in the same income bracket but carrying significantly less private debt.

He said the idea now was to extend the Toronto concessions to these less endowed, middle income debtors which would include countries like Egypt, Nigeria, Ivory Coast, the Congo, Cameroons and Zimbabwe in Africa, and their counterparts elsewhere.

"They've fallen between stools. . . These are cases that have not yet been addressed properly," he said.

The proposals would extend debt relief currently designed for the poorest to middle income debtors and apply some of the techniques for large debtors to the poorest.

The World Bank also planned to launch the idea as a trial suggestion at the September meeting on what Mr Jaycox called a "Brady-type plan" modified for the poorest countries – borrowers from the Bank's soft-loan affiliate, the International Development Association.

Funded by an initial "token" $100m from the Bank's own net income, the scheme would provide grants to help these countries buy back, at substantial discounts, commercial debts not guaranteed by creditor governments, he said.

"This is basically a trial balloon," Mr Jaycox said. If bilateral creditors could be persuaded to weigh in with four or five times as much money, it would signal prospects for continuing the scheme on a bigger scale.

"It raises the question of whether we can use regular IDA money to do buybacks of this kind," he said, noting these funds were subject not to Bank control but to that of member-state directors of the IDA.

"That decision has not been taken. But these are straws in the wind that, in effect, test where the political will lies," Mr Jaycox said.

He said that Mr Barber Conable, the World Bank President, would bring the plight of the less well-off, highly indebted middle-income countries to the attention of the World Bank's Development Committee in Washington.

WORLD TRADE NEWS

Electrolux makes breakthrough into Japanese market

By Michiyo Nakamoto in Tokyo

SHARP, the Japanese consumer electronics group, has agreed to distribute a few lines of household appliances of the Swedish Electrolux company to its more than 5,000 retail outlets in Japan starting in October.

The agreement is a breakthrough for a foreign supplier in the Japanese electrical goods market, and comes at a time when the US government is stepping up pressure on the Japanese government to prise open the country's distribution systems.

The distribution networks for electrical goods in Japan have been controlled tightly by the main domestic manufacturers, including Sharp, and they have long discouraged their franchised retail stores from stocking imported goods.

Sharp has apparently decided to break ranks with the other big producers in an attempt to increase its sales of product lines in which it lags far behind Matsushita, Toshiba and Hitachi. It is also trying to take advantage of the growing interest of affluent Japanese consumers in Western-type large size appliances.

Under the agreement with the Swedish group, Sharp will sell a range of white goods made by Electrolux under both the Sharp and Electrolux brand names. The products are limited for the time being to three models of large refrigerators, two dishwashers and a washing machine. But Mr Haruo Tsuji, president of Sharp, said the agreement could in future be extended to cover a wider range of goods.

Electrolux has had a subsidiary in Japan since 1975 but has found the going tough. A tie-up with a Japanese company seemed the best solution.

"Electrolux cannot move into the (Japanese) market without a partner," said Mr Anders Scharp, president of Electrolux, in Tokyo yesterday. The company has agreed to adapt a number of its products' features to the Japanese market. Japanese manufacturers have often claimed foreign products do not sell well in the country because foreign manufacturers refuse to adapt their products to local tastes.

The companies are aiming for modest sales of Y3bn(£13,393) in the first year of the agreement and Y10bn by the second year. The tie-up is not likely to have a significant effect on Sharp's profits, according to Mr Yoshihide Kondo, an analyst at Daiwa Securities. "As a business, it is negligible," he said.

Following the Sharp-Electrolux tie-up, other manufacturers may be willing to follow the same route. The Japanese consumer electronics market appears to be reaching an important turning point.

The big manufacturers appear to be losing their dominance as a result of the growing size and power of independent retail chains which have set up their own distribution arrangements and begun to import foreign products.

Toshiba in IBM venture

TOSHIBA, the Japanese electricals group, and IBM Japan have set up a 50/50 joint venture, Display Technologies, to manufacture large size colour liquid crystal displays (LCDs) in Japan, writes Ian Rodger in Tokyo. They will be used mainly in personal computers and workstations made by the two companies.

Toshiba and IBM Japan have been conducting joint research on large size colour LCDs using thin film transistor technology since 1986. The aim was to develop flat panel displays that were light in weight and consumed relatively little power.

Digital Technologies is to begin production of 10 inch LCDs in April, 1991 following construction of a Y15bn (£67,000) factory on the site of Toshiba's Himeji plant, 600km west of Tokyo. Later, it will build larger screens. Production in the first year is estimated at 60,000 to 70,000 units, with annual sales estimated at Y10bn.

Finns sign Soviet insurance venture

By Enrique Tessieri in Helsinki

POHJOLA GROUP, Finland's biggest insurance company, has signed a co-operation agreement in the areas of risk management training and insurance coverage with the Soviet state insurance company Ingosstrakh.

The agreement is the first of its kind between a western European insurance company and a Soviet one.

Other insurance companies such as Allianz of Germany, the Italian Generali and the UK's Commercial Union, among others, are keen to establish insurance links with Ingosstrakh, excluding risk management.

Perestroika has paved the way for some 850 registered joint ventures between Western and Soviet companies, more than 75 of them Finnish, and opened up the USSR to Western insurance companies, Pohjola Group explained.

The Finnish insurance group, which has a Triple A rating by Standard and Poors, has agreed to offer its know-how in areas of risk management to Ingosstrakh and, with its Soviet counterpart, to offer insurance coverage to Finnish-Soviet joint-venture companies.

In the agreement, Pohjola Group has agreed to train Ingosstrakh officials in the hitherto-unknown concept of risk management in the USSR.

This programme would include basic training, risk analysis methods, principles, basics and handling of risk financing, and servicing companies.

Pohjola Group said the most important areas where insurance coverage will be given are property, liability and business interruption; transport and credit insurance are other areas which both companies plan to develop.

The Group explained that although coverage could be split equally, a future rule of thumb may be that Finnish-Soviet joint ventures in the USSR would be handled by Ingosstrakh and those in Finland by Pohjola.

It did not exclude the possibility of forming a joint venture with Ingosstrakh in the future.

Breath of liberalisation in the Kenyan air

Import licences are far easier to obtain under the new system, writes **Julian Ozanne**

ONE OF Africa's most far-reaching trade liberalisation programmes is under way in Kenya.

Until recently the country's manufacturers used to live in daily dread of the appearance of an import licence document from the Ministry of Commerce.

It would list more than a dozen possible reasons why the recipient's licence application was unsatisfactory, with check marks against one or more of the options set out – such as a wrong import schedule, or incorrect tariff code.

Often the Ministry of Commerce was wrong, and the manufacturer had in fact filled in the application properly – but it was an effective way of winning time when the government was short of foreign currency.

Applications could be held up for as long as six months, disrupting factory schedules. Many businessmen short-cut the process by bribing officials; others put in multiple applications; some used licence pedlars – entrepreneurs adept at working their way through the red-tape.

But last April all this suddenly changed as the government's trade liberalisation measures took effect. To the delight of the business community, licence approvals for most essential raw materials started coming through within 3 to 8 weeks.

The measures have meant that 76 per cent of items in this category – representing between 90 and 95 per cent of the import bill – are now being licensed without restriction. Several domestic industries, once cushioned from the outside world, are being exposed to competition.

For a country with periodic balance of payments problems, shortages of foreign exchange, and a long history of import-substitution, the move marked a courageous step on the road towards trade liberalisation and export-led industrialisation.

In the first decade after independence in 1963 Kenya's manufacturing sector – which contributes about 13 per cent of GDP and provides 8 per cent of employment – boomed.

Exports declined from 22 per cent of manufacturing production to 7.5%

Thanks to subsidised interest rates, a growing regional market, an over-valued exchange rate and import restrictions, the sector recorded growth averaging 11 per cent a year. But in the 1970s and early 1980s that growth slowed in response to oil price rises, the collapse of the East African Community and the deterioration of neighbouring economies.

By 1985, exports as a share of manufacturing production had declined from the 1972 level of 22 per cent to 7.5 per cent, while those exports were earning only a fraction of the foreign exchange consumed by the sector.

The government decided to embark on a far-reaching reform of the industrial sector, with the backing of the World Bank and bilateral donors. The programme was aimed at stimulating investment, competition, efficiency and promoting exports and employment.

It included: import liberalisation; tariff rationalisation; lifting price controls; improving incentives for investment, such as manufacturing under bond and import duty compensation; restructuring industrial development finance institutions; and financial sector reforms.

In anticipation of the reforms, the government reorganised its import schedules into five categories, promising to liberalise what are known as Schedule I,II and IIA, which consist of high priority raw materials, intermediates, capital goods, some finished good with high tariffs and items insufficiently available in the domestic market. The target date was June 1988.

Schedule IIIB - goods competing with domestic production but with less strategic important industries - was slated for liberalisation in June 1989.

Schedule IIIC, which contains items competing with local industries such as tobacco and textiles, as well as luxury goods, is going to be liberalised in stages by June 1991, when the only items not affected will be security and medical imports.

June 1988 came and went, however, without any action. But in April this year implementation of the programme got under way. One explanation of the delay is that some government officials feared that there would be a rapid drain on foreign currency reserves. There was also resistance within the Ministry of Commerce, from officials who saw their unofficial source of income evaporating.

Professor Terry Ryan, the government's Director of Budgetary Planning, attributes the delay to slow computerisation of records in the Ministry of Commerce, as well as the need for government carefully to analyse the capacity of domestic industry to respond to competition.

Even under the new system licences are only valid for three months

The only complaint voiced by manufacturers about the new system is that licences are only valid for three months. This, they say, is too short a time period to open lines of credit and ship the goods. In practice, however, the government is maintaining a flexible policy towards extensions.

Most businessmen are pleased with the results. "When licensing was arbitrary and erratic we had to work on a 15 month pipeline and most manufacturers were overstocking," said one industrialist. "We just thought about trying to survive and supply the domestic market. Now we have time to look at whether we should go into new products or exports and, as the market will be more competitive, how can we improve our product. Before, that was a luxury."

The next big challenge for the programme will be when domestic industry is exposed to the full blast of foreign competition as tariff barriers come down.

But according to a World Bank report a high percentage of local manufacturing is competitive with imports, particularly the traditional consumer goods industries like food processing, beverages, tobacco and textiles. The problem is that they are still not competitive on the export market.

This may prove more difficult to overcome. Regional trade remains depressed, and an investment incentive package offered by the government has been slow in coming through.

Manufacturers also complain about the remaining price controls on 20 items, slow payments from government bodies, problems with sales tax rebates and delays in repatriating dividends are major deterrents to foreign investors.

But amidst the evidence that the government is committed to economic reform, manufacturers' confidence may slowly increase.

Inter-Korean trade 'promising'

By Maggie Ford in Seoul

THE POTENTIAL for economic exchanges between bitterly divided North and South Korea is quite promising, according to a member of the Soviet Academy of Sciences visiting Seoul.

Mr Georgi Toloraya, who spent five years in the North, was addressing a symposium on inter-Korean relations. He outlined areas where the two sides might co-operate.

Joint ventures offered the best opportunities, especially in construction, tourism, development of the North's mineral and other natural resources, fish processing, agriculture in the South, and transport.

Mr Toloraya suggested the two sides could set up a joint airline which could fly through both countries' airspace. South Korean airlines at present have no overflying rights with China or the Soviet Union and cannot provide a competitive service to Europe.

He suggested a joint trading house, marketing North Korean goods in Western countries and South Korean goods in Communist countries.

Joint ventures in third countries, such as China, the Middle East and the Soviet Far East, would help smooth out psychological differences after years of no contact, he said.

Pointing to joint ventures in the North involving Koreans based in Japan, he suggested this "second economy" might be a good entry point for Southern companies.

The Soviet Union may be helping the two Koreas towards a better relationship. Earlier this year, Moscow officials arranged a meeting between Mr Kim Young Sam, a South Korean Opposition leader, and Mr Ho Dam, a senior North Korean official.

Under the "Nordpolitik" policy introduced by President Roh Tae Woo, links with Communist countries are being expanded quickly.

Enron signs Argentine methanol contract

By Gary Mead in Buenos Aires

THE state-run Argentine petroleum company Yacimientos Petroliferos Fiscales (YPF) has signed a contract with the US company Enron International to construct a 600,000 tonne methanol plant in Tierra del Fuego, Argentina's most southern region.

Enron, together with its Argentine associates Macri and Ciamar, (which jointly form the consortium Petroquimica Austral) will invest $250m in the project, which is due to come on stream in 1992. YPF will supply the gas.

The deal was announced by Mr Octavio Frigeri, the government official appointed to YPF by President Carlos Menem soon after taking office on July 8. Mr Frigeri's task is the difficult one of bringing YPF's accounts into order, prior to its planned privatisation or partial sale into private hands. Mr Frigeri has come under fierce attack from the main petrol workers' union Supe, for his plans to open up Argentina's oil industry to greater foreign investment and exploitation.

AMERICAN NEWS

Cuban American victory in Miami

By Peter Riddell, US Editor, in Washington

THE Cuban American community in Florida has won its first congressional victory, capturing for the Republicans a House of Representatives seat in Miami long held by the Democrats.

The election, with an unusually high turnout, was decided largely along racial lines after a bitterly fought contest. Hispanics voted almost entirely for Mrs Ileana Ros-Lehtinen, the Republican, while blacks and non-Hispanic whites, including Miami's large Jewish community, backed Mr Gerald Richman, the Democratic loser.

Mrs Ros-Lehtinen said her election was "a victory for the whole Hispanic community and sends a message to our brothers listening in Cuba of what we can do."

Ileana Ros-Lehtinen and her husband celebrate her election victory over the Democrats

The result underlines the growing political power of Hispanics, and particularly of Cuban Americans, in the Miami area of Florida.

Cuban Americans are strongly Republican, unlike most other new migrants, who are Democrat-inclined, with the exception of the Chinese Americans in southern California.

The election of a Cuban American has been likely for some time because of the changing demography of the area with Hispanics (nearly 60 per cent of whom voted on Tuesday) making up 37 per cent of the electorate, against 44 per cent non-Latin Whites (a 45 per cent turnout), and 19 per cent black voters (a 35 per cent turnout).

The Republicans won by 52.3 to 47.7 per cent of the vote.

A Republican victory was probably delayed by the personal popularity of the late Congressman Claude Pepper, whose death after holding the seat for 26 years forced the special election. His appeal had crossed racial lines.

US personal income increases by 0.7%

By Anthony Harris in Washington

US PERSONAL income rose by 0.7 per cent between June and July, and disposable income and expenditure rose by the same amount, the Commerce Department reported yesterday. Just over two thirds of the rise was in wages and salaries; the balance was more than accounted for by interest, pension and other transfer payments, while farm and self-employment income fell.

This confirms that income growth has been slowing during 1989, rising at an annual rate of 5.7 per cent in the last three months, against 8.6 per cent in the first half year and more than 14 per cent between 1987 and 1988. But the continued growth is vigorous enough to give further assurance that no recession is in sight.

In real terms, the increases were 0.5 per cent, ending a period in which rises in income were largely offset by inflation.

Real disposable income has been rising at an annual rate of 6.5 per cent in the last three months, thanks to tax changes and lower recent inflation, though real consumer spending has been more restrained, growing at an annual rate of 2.8 per cent. Real disposable income rose at a rate of only 1.1 per cent in the first half year, as prices rose sharply, and by 3.5 per cent between 1987 and 1988.

The savings rate has changed little since it recovered sharply at the beginning of the year, fluctuating narrowly round its new average of 5.5 per cent, which is also the average for the last three months.

However, the figures may overstate the growth of incomes and spending. Over the last three months, rising receipts of interest account for nearly a third of total income growth; this appears to be largely a transfer within the personal sector, as borrowers have paid more for finance provided by consumer savings institutions, inflating both sides of the account.

Most of the July increase in real spending went to goods, divided equally between durable and non-durable goods.

IMF forecasts slowdown in world economic growth

By Peter Riddell

THE world economy will grow somewhat more slowly for the rest of this year and in 1990 after the recent rapid expansion, though a recession is unlikely. This is according to the preliminary assessment of International Monetary Fund economists prepared for the IMF annual meeting in Washington in just over three weeks' time.

Drafts of the IMF's World Economic Outlook, which have been circulated to member states, indicate that the rate of economic growth in industrialised countries will slow from 4.1 per cent last year to 3.1 per cent this year and 2.9 per cent in 1990.

This compares with IMF estimates last April of 3.3 per cent growth this year and 3.2 per cent next year.

The report states that, while economic activity in industrialised countries is moderating to a more sustainable pace, the slowdown is unlikely to develop into a recession. The main reason for the revision downwards of the forecasts is the evidence which appeared during the summer of a slackening in US growth.

Consequently, the IMF economists are projecting expansion in the US of 2.7 per cent this year (against 3.1 per cent previously) and of 2 per cent next year (compared with 2.5 per cent previously).

However, the view of the US economy has changed again in the past couple of weeks, underlined by the revision upwards on Tuesday of the second quarter growth rate by the Commerce Department.

The IMF will take account of this in revising its overall numbers in the final version of the World Economic Outlook to be presented to the policy-making interim committee of finance ministers on September 25.

The draft report is also somewhat less pessimistic about inflation than the IMF was earlier this year. It states that although the risk of a "dangerous" acceleration of inflation still exists, "it appears to have diminished somewhat" and price pressures are expected to continue to ease during the next year to 18 months.

Against this background the finance ministers are unlikely to call for any dramatic change in policies but merely to reaffirm the existing drive to reduce imbalances between the leading industrialised countries, notably the US trade and budget deficits.

Menem government split over labour law reform

By Gary Mead Buenos Aires

A SPLIT in President Carlos Menem's government over new labour legislation is threatening to undermine his emergency economic programme.

Mr Eduardo Curia, an economist affiliated to President Menem's Peronist party, has revived an employment reform project dating back to February this year, which would give employers much greater contractual freedoms.

Argentine employees have considerable job protection and rights to substantial financial compensation if made redundant or temporarily suspended from work.

Before May's presidential election Mr Curia was frequently mentioned as a possible economy minister, should Mr Menem be elected.

Mr Curia's scheme proposes that employers would have the right to sign contracts with employees for a maximum of three years. Employees would have no compensation rights if the contract was not renewed at the end of that period. When Mr Curia's proposal was unveiled in February it met a storm of protest.

However, the plan has now been given full backing by Mr Nestor Rapanelli, Economy Minister and one of the key figures in President Menem's attempt to restructure Argentina's collapsed economy. Mr Rapanelli, a former vice-president of the multi-national Bunge and Born, said that the Curia proposal would be sent to Congress for approval.

Despite Mr Rapanelli's support, Mr Jorge Triaca, Labour Minister and the former leader of the plastic-workers' union, and Mr Robert Digon, number two in the Labour Ministry, have strongly criticised the project.

A crucial element of President Menem's efforts is the privatisation of several state-owned companies, where overmanning is a notorious problem. According to a new report more than 1 in 4 of all Argentine workers is employed by a state-run company.

US to present Noriega drugs evidence to OAS

By Lionel Barber in Washington

THE US will today present evidence supporting its drug trafficking indictments against General Manuel Noriega of Panama at a special meeting of the Organisation of American States.

The aim is to "stiffen the spines" of Latin American countries which have failed fully to support the Bush administration's call for Gen Noriega to step down from power, a US official said.

The OAS meeting coincides with the expiry of Mr Manuel Solis Palma's term as provisional president of Panama, leaving a constitutional void after the annulment of last May's elections. The US and Panamanian opposition are concerned that Gen Noriega will respond by naming a puppet government and dismissing calls for free elections.

Administration officials are disillusioned with the OAS, the designated vehicle for Latin American countries to pursue regional diplomacy aimed at resolving the crisis in Panama.

Despite efforts by Venezuela, other Latin American countries, notably Brazil, Argentina and Ecuador, have resisted unequivocally condemning Gen Noriega, according to the administration.

A US official said today's OAS meeting would serve as a forum to condemn Gen Noriega, not just on drug trafficking but also on his usurpation of power. Abuses were highlighted by a former military associate two years ago who accused Gen Noriega of rigging the 1984 election, corruption and killing political rivals.

By publicising its case, the US intends to renew its appeal to the Panamanian Defence Forces to overthrow their leader. Some believe that the PDF remains the best hope for removing the strongman, even though, after several purges, it has thus far stayed loyal. President George Bush has repeatedly stressed that the PDF has an important role to play in a democratic Panama.

Former Mexican copper mine chief accused of corruption

By Richard Johns in Mexico City

CORRUPTION charges have been levelled by the office of the Mexican Attorney-General against Mr Emilio Ocampo Arenal, director-general from 1983 to 1988 of Compania Minera de Cananea, the copper company declared bankrupt last week.

Mr Ocampo, a Chilean national and a son-in-law of former President Luis Echeverria Alvarez, is accused of selling copper and other metals at below international market prices and receiving illegal commissions.

In association with 15 other former employees of the company he is also charged with the embezzlement of funds.

Mr Ocampo was detained on Tuesday and the case has been referred to a Federal District judge "without prejudice," to further investigations into others alleged to have been involved in corruption at the mine.

The charges arose after the examination of the finances of the Cananea company, which has short-term debts of more than $650m, preceding the declaration of its bankruptcy.

However, the measure is widely believed to have been motivated by the Administration's determination to break the union's stranglehold at the copper mine, Mexico's largest, prior to an attempt at privatisation.

At a press conference last week the present director-general of the company, Mr Luis Alberto Perez Aceves, was strongly critical of the previous management, as well as the restrictive practices and exorbitant demands of the union – amounting to a 330 per cent increase in wages and benefits – which precipitated the bankruptcy declaration.

No less than 21 executives had been dismissed since his management team took charge in March, Mr Perez Acevez said, but he did not hint at any malpractices.

In the wake of the bankruptcy and the dismissal of nearly 3,800 miners and other staff, leaders of the militant Section 65 of the Union of Mine Workers of the Mexican Republic (STMMRM) made allegations about management corruption.

For the government, criminal proceedings against Mr Ocampo and his colleagues are convenient, coming amid mounting labour troubles.

The STMMRM has threatened national strike action. Some 3,500 troops who occupied the mine at dawn on August 20 before the bankruptcy declaration and the issue of dismissal notices to prevent sabotage were withdrawn at the start of this week.

However, Siderugica Mexicana (Sidermex) has asked for military protection for the facilities at the Las Truchas steel mill operated by its subsidiary Sicarsta at Lazaro Cardenas where the workers, also members of the STMMRM, went out on strike last week. A fire – reportedly involving sponge iron – broke out there on Monday.

The Ministry of Planning and the Budget has announced that the Government is to sell La Compania Real del Monte y Pachuca, a state-owned gold and silver mine south of Mexico City which in the first half of this year produced 1.1m ounces of silver and 5,600 ounces of gold. Banco Cremi is acting as seller on behalf of the Government.

UK NEWS

A lesson in unity for N Ireland

Tim Burt looks at religiously integrated schools in North Belfast

THE SCHOOL term begins tomorrow for the children at Hazelwood College in North Belfast: one of the first integrated schools in the trouble province of Northern Ireland where teachers are trying to break down the traditional divisions between Roman Catholic and Protestant education.

When the playground bell rings 90 new pupils will be registered out of the school's total of 300. Less than a decade ago such schools did not exist, but there are now eight schools teaching children, some of whose parents were brought up and educated in separate communities.

Anthony Kerr, aged 16, from a Catholic family in the Antrim Road, has been one of the pupils. Two years ago, when he first left his friends at St Malachy's Catholic school, children shouted "Orange lover" as he boarded the school bus for Hazelwood College.

But Anthony, says: "I was never frightened about going there. The main difference at Hazelwood was meeting Protestants and not having religion forced on you. I think it's better to grow up together than be divided."

The Catholic teenager joined a class with Catriona Boal, who left the all-Protestant Glengormley High School to be one of the first pupils at Hazelwood College.

Mr Tom Rowley, the head teacher, regards pupils such as Catriona as the ambassadors of integrated education.

She began studying at Hazelwood College in 1985, when there were just two other pupils in her year and only four other schools in the province where education was bridging the sectarian divide.

The first, Lagan College, opened its doors in 1981 and was the only school bridging the sectarian divide until three others started in 1985.

Catriona thinks "educating young people together will help bring down the barriers – you won't want to hurt your friends."

Her view is shared by the British Government which last October decided schools in Northern Ireland educating Protestants and Catholics together were to be given special treatment.

Anthony Kerr, 16, from a Catholic family in the heart of Belfast left his friends at St Malachy's two years ago to join Hazelwood: "I was never frightened about going there. The main difference at Hazelwood was meeting Protestants and not having religion forced on you. I think it's better to grow up together than be divided." Catholic teenager Catriona Boal thinks "educating young people together will help bring down the barriers – you won't want to hurt your friends."

The Department of Education unveiled a white paper to encourage joint education, irrespective of religion, which amounted to the most radical reform of the province's education system for more than 40 years.

An independent body has been set up to disburse funds and, for the first time, money is available to parents wanting to start such schools.

Existing segregated schools, meanwhile, have been encouraged to apply for integrated status, with the promise of 100 per cent funding.

Dr Brian Mawhinney, the Northern Ireland education minister, said: "Government is supporting and facilitating integrated education; it will not impose it. We are providing the opportunities. The community itself must chose whether it wants to use them."

The reaction of Church leaders has been mixed. Dr Godfrey Brown, moderator of the Presbyterian Church, said the introduction of integrated education must be gradual.

He responded to the new proposals, saying: "It cannot be foisted on a community. It will have to come about by consent and over a period of time."

Monsignor Colm McCaughan, director of the Catholic Maintained Schools Committee for Down and Connor, was even less enthusiastic. "Quite frankly I see the possibility of it (integrated education) resolving the difficulties in Northern Ireland as remote."

Teachers and education officials working in the small integrated system reject Monsignor McCaughan's view.

Mr Jo Mulvenna, for the Northern Ireland Council for Intergrated Education, which provides assistance for parents setting up integrated schools, said children from inner city areas, who 20 years ago would have mistrusted each other, are now mixing freely.

Integrated schools are breaking down the old sectarian barriers, he claims.

"Now, children who would not have met a child from the other community have friends there.

"Something like a birthday party is usually a sectarian event because there is no opportunity of mixing. But now we are changing that and it sucks in the parents. Catholic and Protestant adults meet at school meetings."

The Northern Ireland Office, however, recognises the number of children admitted to integrated schools in the coming academic term, including two new ones in Ballymena and Enniskillen, will be just a drop in the ocean of pupils going back to the classroom.

Dr Mawhinney said: "Integrated schools are not a panacea nor will they solve Northern Ireland's problems. For the foreseeable future most children will not be in such schools."

There are no integrated schools, for example, in the staunchly loyalist Shankill Road or in republican Andersonstown.

The minister hopes lasting change will arise out of the compulsory curriculum he introduced to break down prejudices in segregated schools by highlighting the cultural heritage shared by Catholics and Protestants.

Catriona Boal doesn't think the Government is doing enough. "The problem isn't just in schools – it's the lack of jobs. She plans to move to Scotland in search of work after going to technical college.

Her classmate Anthony will also be looking to the mainland for work. "I would go across the water to work. It would get me out of here for a start."

Warning issued on misuse of information

By Our Belfast Correspondent

THE GOVERNMENT made it clear yesterday that any members of the security forces found co-operating with terrorist organisations in Northern Ireland would be prosecuted "with the full severity of the law."

Mr John Cope, the province's Security Minister, was commenting on allegations that the Ulster Freedom Fighters, an illegal Loyalist paramilitary group, had gained access to confidential security files.

Disclosures by Mr Chris Moore, a BBC reporter, that he was shown official documents and a video of IRA suspects by the UFF, have caused a political storm in Northern Ireland.

Police headquarters in Belfast said a full investigation was underway into the allegations. Among material Mr Moore was shown was a picture of Mr Loughlin Maginn, the Roman Catholic shot dead by the UFF at the weekend.

Next to Mr Maginn's name were the words "heavily traced as IRA suspect."

The Minister condemned any member of the security forces who helped any terrorist group.

● Elsewhere in the province, Newtownabby Council yesterday unveiled proposals for the biggest local authority project ever undertaken in Northern Ireland.

The £50m plan, which could create 300 jobs, will require substantial private sector investment, although officials believe their proposals will become reality in four years.

The European Community may be approached for financial assistance.

Thomson cuts half a million holidays in 1990

Holiday bookings slump prompts 10% price rise

By David Churchill, Leisure Industries Correspondent

THOMSON Holidays, Britain's biggest package tour operator, yesterday announced that it was cutting half a million holidays from next summer's holiday programme at the same time as raising prices by an average of 10 per cent.

The move is a reaction to the sharp slump in holiday bookings this summer with the market down by about 10 per cent in volume compared with last summer.

Thomson is the first of the leading tour operators to announce capacity cut-backs for next summer but its move is likely to be followed by other leading operators.

This would mean almost a million fewer holidays on the market next summer.

Most of the holidays will be cut from Spanish resorts, although there will be fewer holidays to several other mediterranean destinations, such as Tunisia and Malta.

But Thomson also plans to sell substantially more holidays to new destinations such as Florida, where Walt Disney World is the main attraction for Britons.

Thomson's decision to cut-back its holiday programmes follows a disastrous summer for the package holiday business with airport delays and health problems in some Mediterranean resorts hitting sales. Thomson also blames higher interest rates for depressing holiday demand.

Moreover, the record level of sunshine in the UK this summer has encouraged many Britons to holiday within the British Isles rather than take a continental package holiday.

Thomson says that although its own sales this summer have not fallen in line with the market slump and held steady at about 2.5m, it expects a 5 per cent fall in the market next year and was cutting its capacity now rather than later.

"We want to sell our holidays at brochure prices and not have to discount them heavily as we have done in the past," said Mr Charles Newbold, managing director of Thomson Holidays, yesterday.

He said the problems of the travel industry in recent years had not been helped by fierce price cutting between tour operators which had led to small profit margins.

Price rises of an average 10 per cent on short-haul Mediterranean holidays were partly caused by the stronger US dollar and Spanish peseta against sterling, he added. The rises are also understood to include some cushioning of Thomson's profit margins.

Thomson's strategy for next summer is aimed at improving standards of holiday accommodation following the poor publicity for the travel industry this summer.

Record number of UK visitors

By David Churchill, Leisure Industries Correspondent

A RECORD number of overseas visitors came to Britain in the first half of this year, according to figures released yesterday by the Government's Department of Employment.

The numbers of incoming visitors rose by 15 per cent in comparison with the first half of last year to reach 7.8m for the January to June period this year.

"The British tourism industry has had its best first six-months ever," said Mr Duncan Bluck, chairman of the British Tourist Authority, yesterday.

"Not only has every month been a record-breaker for overseas tourists, but there has also been a remarkable upsurge in domestic tourism putting us well on course for a truly outstanding year," he added.

Mr Bluck pointed out that "particularly pleasing is the sharp increase in visitors from North America during June to 450,000 – up 23 per cent on June last year."

The total increase in overseas visitors in June, however, was only 9 per cent higher at 1.6m than in the same month last year.

During the first half of the year, spending in the UK by overseas visitors increased by 11 per cent to £2.7bn.

However, spending overseas by British residents in the first half of the year rose by 13 per cent to £3.7bn.

The number of Britons going abroad in the first half of the year rose by 12 per cent to 13.2m.

Health survey fuels reform opposition

By John Mason

A LABOUR opposition party survey of National Health Service hospitals interested in becoming self-governing shows few have any detailed strategy for how they would operate, Mr Robin Cook, the party's health spokesman, said yesterday.

Those with detailed plans show that health care would be more market-driven at the expense of ordinary NHS patients, he said.

In the survey, Mr Cook contacted the 178 hospitals *or* health service units that expressed interest to Mr Kenneth Clarke, the Health Secretary, in becoming self-governing as the proposed NHS reforms allow.

Of the 95 that replied, Mr Cook said the majority had only expressed an interest or asked for further information. Less than 20 had prepared detailed plans. Three had withdrawn their original statement of interest.

Those detailed plans which had been drawn up confirmed Labour Party fears that self-governing status would lead to hospitals operating on a more commercial basis, he said.

Lord Trafford, a junior Health Minister, dismissed the survey results, saying that an expression of preliminary interest was all hospitals had been asked for so far.

He said it was only 10 days since the department had issued details of the key criteria to be met before any request for self-governing status is approved by the Health Secretary.

The Government would not be deterred from going ahead with the reforms, he said.

Study into power scheme

By Maurice Samuelson

A COASTAL oil refinery on South Humberside, northern England, is to be considered as the site for a power station to serve the Yorkshire Electricity Board area after privatisation of the electricity industry.

A feasibility study on a £500m power project is to be carried out jointly by Yorkshire Electricity and the owners of the Lindsey refinery, Petrofina, the Belgian oil company, and the French-owned Total Oil. A fourth partner is NV Tractobel, a leading Belgium electricity concern.

Mr Jean-Claude Goffinet, the refinery manager, said 700 jobs would be created during the construction of the plant and offer "a tremendous opportunity" for the area.

The three-month study, to begin this month, is the latest in a growing list of new power station projects throughout the country inspired by electricity privatisation and the vogue for environmentally sensitive power plants using advanced new technologies.

They would enable the 12 area electricity distribution companies of England and Wales to break their total reliance on bulk supplies from the big power stations.

The Lindsey refinery study will examine a range of fuels for supplying the Yorkshire area with cheap electricity.

Coverage of smoking in UK media 'inadequate'

By Raymond Snoddy

BRITAIN's quality newspapers have been "woefully inadequate" in their coverage of the debate on smoking and health, a report published yesterday claimed.

On issues such as passive smoking - the inhaling of other people's smoke -, smoking in public places and tobacco sponsorship and advertising tendentious claims were often reported without balancing comments from the tobacco industry.

Fewer than one third of reports acknowledged that the dangers from passive smoking are neither clear cut nor proven or featured comments opposing restricting smoking in public places.

The report Smoke Out, by Mr Simon Clark, is based on an analysis of more than 300 reports in the UK's five national broadcast dailies.

"Since much of what passes for 'news' in the smoking debate is generated by those attacking smoking the result is a 'debate' which is woefully one-sided in favour of the health lobby," Mr Clark, who is a non-smoker, argues.

"I think there are a number of issues where business gets a raw deal," says Mr Clark who has set up the grandly titled Centre for Media Research and Analysis with Mr Peter Young, formerly of the Adam Smith Institute.

Mr Clark says that no money was received from any organisation for Smoke Out.

Smoke Out: Centre for Media Research & Analysis 13 Camberwell Grove,London SE5 8JA £19.95

UK NEWS

Cambridge to set up new management study centre

By Michael Skapinker

CAMBRIDGE University is to set up an Institute of Management Studies, offering several qualifications, including a Master of Business Administration degree.

Unlike leading universities in the United States, neither Oxford or Cambridge Universities have offered MBAs.

Camridge's Institute of Management Studies will begin operating at the beginning of 1990. The first MBA students will begin their studies in October 1991. At the end of this year or early in 1990, Oxford is expected to announce that it too will offer an MBA degree.

The Cambridge MBA course will be three years long, each year consisting of one term of teaching at the university. Students will spend the rest of the time working for their company or public sector organisation. Most other business schools offer one or two-year full-time courses, or part-time courses with short periods of teaching each week.

Prof Stephen Watson, Peat Marwick Professor of Management Studies at Cambridge, said that Prof Charles Handy of the London Business School had had a strong influence on the design of the MBA.

Prof Handy was the author of a 1987 report which argued that, unlike competitor countries, Britain had failed to develop an effective system of management education. Prof Handy was also a member of the Cambridge committee set up to review the university's provision of management education and to make recommendations for the future. Prof Handy has argued that management development should consist of a mixture of teaching and practical experience.

The committee which drew up the management education proposals suggested that fees for the MBA should be £7,000 a year at 1989 prices.

Brel wins large rolling stock order

By Kevin Brown, Transport Correspondent

THE UK's biggest ever single contract for railway vehicles was yesterday awarded to Brel, the former state-owned rolling stock manufacturer privatised earlier this year.

The order, worth up to £350m including options, is to supply a new generation of Tube trains to replace ageing rolling stock on the London Underground.

It is expected to be followed today by a separate contract to supply part of a large order for trains for Network SouthEast, the sector covering London and the commuter belt of state-owned British Rail.

The BR trains will replace some of the corporation's oldest rolling stock.

The two orders leave Brel well placed to bid for contracts worth up to £3bn expected to be placed by BR and London Underground over the next decade.

Brel, sold for less than £20m earlier this year to a consortium backed by Trafalgar House and Asea Brown Boveri, the Swiss-Swedish engineering group, won the order against competition from a consortium led by Metro Cammell.

Telecom pay offer raises pressure for higher settlements

By Michael Smith, Labour Staff

BRITISH TELECOM, Britain's largest private sector employer, yesterday made a 9 per cent pay offer to 155,000 staff in a move which will fuel pressure for higher pay settlements in the imminent autumn pay round.

Analysts in the City, London's financial centre, were relieved the company had resisted pressure to match the 9.6 per cent settlement at Imperial Chemical Industries or the 9.2 per cent won by electricity supply industry workers, which had been the target set by union leaders.

The offer, which was recommended by leaders of the National Communications Union, will raise concern among ministers and employers that 9 per cent will become the going rate for pay increases in profitable companies, feeding inflationary pressures in the economy.

Combined with a series of 8.8 per cent settlements for large numbers of public sector workers, the offer will almost certainly push the annual increase in average earnings above 9¼ per cent just as the autumn pay round begins.

The proposed settlement will fuel pay expectations among 140,000 workers at the Post Office, which bargains with the same unions as BT.

The deal will also put pressure on talks at manufacturers such as Ford which has enjoyed strong growth.

● A dispute has broken out between British Telecom and MicroLink, one of the UK's largest independent providers of electronic mail services. The company is accusing BT of using "Big Brother" tactics to win over its customers which it decided to move to a system run by Istel, one of BT's rivals.

MicroLink has accused BT of breaking its own rules by sending "junk" messages to its customers over the electronic mail network, asking them to stick with its service, called Telecom Gold.

Oftel, the telecom watchdog, meanwhile, has advised the Department of Trade and Industry that BT should should lose its exclusive right to inspect private telecom exchanges before they are connected to its network.

In Brief

Eurotunnel share price falls despite progress

THE share price of Eurotunnel, the Anglo French Channel tunnel group, tumbled a further 37p to 733p yesterday despite a report that the central service tunnel has been half completed. The group's share price has fallen 83p in the past two days.

Brokers said the stockmarket remained concerned about the extent of cost overruns on tunnel.

Eurotunnel has said it will reveal new cost estimates when it publishes its interim results. Mr Alastair Morton and Mr André Benard, Eurotunnel's British and French joint chairmen said yesterday that 25 kilometres of the 50 kilometre service tunnel had been dug by the end of last week.

Bank announces auction

THE Bank of England announced it would hold its fourth "reverse auction" for up to £400m to buy-back gilt-edged Government securities.

Major to visit HK

MR JOHN Major, the Foreign Secretary, plans to visit Hong Kong at the end of the year, he said yesterday.

Sir Peter Scott dies

SIR PETER Scott, the ornithologist, artist and broadcaster, has died after a heart attack, two weeks before his 80th birthday.

Bayley resigns

MR Stephen Bayley has resigned as chief executive of the Design Museum in London, the first museum in the world to be devoted to industrial design, only two months after its opening.

Private road bids

THE Government has invited pre-qualification bids from companies interested in building the UK's first privately-funded trunk road.

Bobbies keep plodding their beat

John Gapper reveals a patient tradition of West Country policing

POLICE Constable Jim Deakin is hunting for an ice-cream van. So far, he has spotted three around the shore of Burrator Reservoir, but not the offending one. The missing van drove down a bus lane in Yelverton this morning and frightened the wife of a Buckland Monachorum parish councillor.

"We have spent nearly an hour on this job now, where in Plymouth we would not have bothered," he says. His tone is a mixture of frustration and pride. Around Tavistock, south west England, police officers get used to putting time and effort into inquiries that would be countenanced in few other places.

If traditional British policing survives anywhere, it is in Tavistock. Here, 22 officers patrol 400 square miles of countryside from east Cornwall to Dartmoor. The last murder took place over a decade ago; the most prevalent crimes of note are theft from cars and burglary.

None the less, a lot of time is spent on what one Tavistock officer calls "mostly a PR exercise." Listening to local people's worries and convincing them that the police will try to do something to help is seen as important in maintaining local trust.

It can also have a greater practical value in Tavistock than in Plymouth, 15 miles away. "If you stop four lads in a car late at night on the moor, you are very careful how you speak to them because you know your back-up is a hell of a long way away," says PC David Folland.

Local people's expectation of the Tavistock force can be uncomfortably high at times. PC Meakin has just spent 20 minutes at the Yelverton home of Colonel Ron Middleton and his wife Betty, attempting to reassure them the police treat bus lane violations seriously.

"Sometimes they want you to change the world," says PC Meakin, 28, "The days are gone when you could sort out problems with kids by giving them a clip round the ear." After a fruitless search for the offending ice cream van, he has returned to the small police station in Yelverton.

Rule of Law: If in doubt ask a policeman in Tavistock

Tavistock is not immune from change. Over the years, the policemen who used to live in outlying villages have gradually been pulled into the centre. The Yelvertn station, home to rabbits, is now manned about two hours a day.

Down in Tavistock, a market town of about 9,000 people, Sergeant David Cudlip has just been re-arranging the rotas to revive some past virtues. From this month, the six officers who patrol the town in addition to the community policeman will each have an area assigned to them.

Sgt Cudlip also wants to re-educate the public into expecting a little less speed of the force. "When I started in Camborne 20 years ago, I had to walk everywhere. It took me so long to get to one accident that it had cleared itself up and gone away by the time I arrived," he says.

"We have got to respond quickly to some things, but I think we should take our time over others."

The contrast between policing in Tavistock and London has just been brought home to him by reports of trouble at the Notting Hill Caraival over the bank holiday weekend. "They say they had 4,000 police in reserve there. We've only got 3,500 in the whole force," he says wonderingly.

"People say it is slow here, but I do not think it is," he says. "You just do not invest as much in the job in a city because of the sheer workload."

One innovation that may affect Tavistock is "case screening," a technique of assessing whether incidents are worth investigating that has caused some controversy in other parts of the country.

Sgt Cudlip believes a more methodical approach to assessing cases could be useful in Tavistock, where there an average of 100 crimes a month.

One of the strongest local advocates of traditional policing is PC Folland, the community policeman for the Princetown area.

He says: "It is good old-fashioned coppering up here, going around getting to know the people."

Offshore oil industry to increase spending by 33%

By Max Wilkinson, Resources Editor

THE UK offshore oil industry is expected to increase its spending by 33 per cent in the next two years, to some £6.1bn, the Scottish Development Agency said yesterday.

As a result of a strong recovery in exploration and development, spending in the period 1989 to 1993 is likely to reach £27bn, the agency said. It forecast that the 100,000 jobs lost in the industry after the 1986 oil price collapse will be recovered by the end of the year.

In its latest two year "forecast of Offshore Activity and Expenditure", the agency said the worldwide market is likely to grow from $56.6bn in 1988 to $70.8 bn in 1993. Of the $338bn expected to be spent by the world's offshore industry in the five years to 1993, about $170bn of the work is likely to be open to international competition, the agency said.

The agency also said current official figures for North Sea oil employment understate the real figure, which it estimates at 70,000.

Employers' warning over genetic engineering plan

By David Fishlock, Science Editor

A WARNING that Britain risks introducing sub-standard regulations for the control of genetic engineering if the government switches responsibility to the Environment Department has been given by the Confederation of British Industry.

The CBI, the employers' association, in its response to the Environment Department's discussion paper published earlier this year, wants regulation to remain with the Health and Safety Commission, responsible to the Employment Department.

The Environment Department wants control of deliberate releases of genetically engineered organisms to become part of its new "green bill", now being drafted.

Dr Brian Richards, chairman of British Biotechnology, and of the CBI's biotechnology working party, said Britain's international position in biotechnology owed much to pioneering work by the two HSC committees.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1988							
1st qtr.	[illegible]	[illegible]	31.4	117.0	[illegible]	[illegible]	[illegible]
2nd qtr	[illegible]	112.4	32.1	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	110.4	117.0	32.4	[illegible]	[illegible]	2,101	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	121.0	[illegible]	[illegible]	[illegible]
November	[illegible]	117.1	32.7	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	117.5	32.4	121.1	[illegible]	[illegible]	[illegible]
1989							
1st qtr.	[illegible]	[illegible]	[illegible]	121.4	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	37.3	122.2	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	117.9	[illegible]	[illegible]	127.4	1,917	[illegible]
April	[illegible]	117.3	[illegible]	[illegible]	[illegible]	[illegible]	222.1
May	[illegible]	[illegible]	37.3	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	37.3	121.5	[illegible]	[illegible]	[illegible]
July				[illegible]		[illegible]	219.9

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr	111.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr	113.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	114.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1989							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserves US$bn
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1989							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit‡; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit £m	Base rate %
1988							
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1989							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earn-ings	Basic matls.	Whsale. mnfg.	RPI	Foods	Reuters* cmdty.	Sterling
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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*Not seasonally adjusted.
‡Net changes in accounts outstanding, excluding bank loans.

ACCOUNTANCY COLUMN

An antipodean contribution to the debate on brands

By David Waller

THE LATEST contribution to the debate on how to account for intangibles came this week not from the UK but from the Australian Accounting Research Foundation – the antipodean equivalent of of the UK's own Accounting Standards Committee.

The AARF's Exposure Draft 49 is radical in several respects.

Its main recommendations – which if adopted would have a severely detrimental effect on the reported earnings of many Australasian companies – are summarised as follows:

● All acquired identifiable intangible assets must be recognised as assets in financial statements, and should be stated – initially at least – at their cost of acquisition.

● Those intangible assets "internally generated" – home-grown brands – would qualify for recognition in a company's financial statements.

What would be capitalised is an amount defined as "the lowest cost at which the asset could currently be acquired in the normal course of business".

● Intangible assets are to be subject to a "recoverable amount test".

This is somewhat cloudy but in essence it means that if the assets should be restated if their recoverable amount – defined as the recoverable cash flows deriving from ownership of the asset – falls below the carrying amount as defined above.

● Periodic revaluation of the assets – whether internally developed or purchased – is permissible.

They may be revalued to an amount representing the lowest cost at which the assets could currently be obtained in the normal course of business, subject to an independent valuation.

● Identifiable intangible assets must be amortised over the period of time during which the economic benefits of ownership will be derived.

There is no upper limit to this period but the AARF proposals state that few assets could be expected to provide such benefits over a period greater than 20 years. Beyond this, additional disclosures would have to be made.

● All valuations must be carried out by an independent professional expert.

If adopted, the proposals would have an impact on adventurous and conservative companies alike.

Rupert Murdoch's News Corporation – with some A$5bn (£2.4bn) of intangible assets on the balance sheet – would be obliged to write off no less than $250m a year.

Conversely, companies which have hitherto felt comfortable without dipping their toes into such contentious waters would find themselves encouraged to capitalise their own-grown brands.

The first UK reaction to the proposals has come from Interbrand, the consultancy which advised Ranks Hovis McDougall over its controversial decision to ascribe a balance sheet value to all its brands, acquired or otherwise.

Interbrand was pleased – not surprisingly – about the role envisaged for independent experts, but disgruntled with two recommendations.

First, Interbrand complains that there is confusion between replacement cost and market value in the AARF's recommendation that internally-generated brands should be valued at "the lowest cost at which the asset could currently be acquired in the normal course of business."

"In our view," the consultancy argues, "neither of these bases is relevant to an assessment of a brand's worth.

"To calculate a *replacement cost* for a brand that may have been in existence for 100 years would be a nonsense to attempt and there is no ready market for for brands such as exists for stocks and shares."

Mr Paul Stobart, the company's managing director in the UK, goes on to suggest that a more appropriate method of valuing intangibles is to assess their economic value on an "existing use" basis – as commonly used in the property world and an approach propagated by Interbrand in its brand valuations for companies in the UK as well as Australasia.

This means that intangibles should be valued without reference to a notional value which a third party may be prepared to pay – or which may be ascribed to the brands when the company managing them is broken up.

Interbrand's method is to rate the strength of a brand according to seven factors, such as the stability of the brand, its international dimension, the degree of customer loyalty and so forth. In turn, this rating is used to determine a multiple applied to the average of the post-tax profits ascribed to the brand over the last three years.

The second criticism is over the proposal that brand values should be amortised over a maximum of 20 years.

Interbrand says that this is unrealistic as it does not recognise the longevity of those brands that are successfully supported.

"A brand's value is *enhanced* by good management and by strategically focused advertising and marketing expenditure," Interbrand contends.

"These costs are already charged to the profit and loss account. Amortisation of the brand's capital value is therefore conceptually unsound."

On this point, Interbrand's stated position is that brands have no fixed life.

Should a brand suffer a diminution in value, for whatever reason, a provision would be made although this could be offset by revaluation of surpluses on other brands.

How does this help the UK, where the bodies responsible for standards-setting are ever so slowly finding their way towards making ever so tentative suggestions on the interrelated issues of goodwill and brand accounting?

Not much is perhaps the answer. The ASC is unlikely to move from its view that only acquired brands – those where there is an easily identifiable cost – should be capitalised.

While making some progress on the treatment of goodwill (capitalise it and write it off) the ASC has so far decided on the issue of intangibles in general that no more than "brands are different".

Perhaps the ASC would do better to back-pedal on this point and take a line more firmly in keeping with the spirit of the London Business School report put out earlier this year, which argued that the inclusion of brands in the balance sheet was "potentially corrosive to the whole basis of financial reporting".

The obsession with brands dates, of course, from the Rowntree takeover in the summer of last year, when the Swiss company Nestlé paid vast amounts to gain control of the Yorkshire chocolate giant.

In spite of the hysteria – which was useful to Rowntree's advisers in prising the most extravagant price out of the Swiss – on reflection it seems that the company's portfolio of brands was only one of several factors behind Nestlé's willingness to pay a premium price.

Others were Rowntree's management, its distribution network and its scarcity value as one of the last two independent chocolatiers in the European Community.

There already is a term which describes the special price companies are willing to pay for such special factors, and that is goodwill.

As the LBS report recognised, there would have been no problem over accounting for brands if there had not been a problem over accounting for goodwill.

The tendency of finance directors to write off goodwill against reserves – all but eliminating them in many cases – did indeed give an unrepresentative view of shareholders funds.

But is brand accounting really anything more than an ingenious response to the yawning balance sheet void, with dubious theoretical legitimacy?

The antipodean example provides as many questions as answers.

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And Manager, Clwyd Enterprise Fund

Salary Scale M4 £18,690–£20,079
Ref. CE 0130501

Clwyd County Council gives high priority to the economic regeneration of the area's industrial and economic base. Capitalising on its success in attracting new job creating investments to the area, and its reputation as one of the country's foremost development authorities, the County Council operates an investment activity within its Community and Economic Development Division as part of its support for inward investment projects and for the development of its indigenous industry.

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You will operate as a senior member of a team within the Community and Economic Development Division, responsible for generating and handling development enquiries, and for the Enterprise Fund investments.

This senior post requires:

- An accountancy qualification or an M.B.A. followed by several years' business experience, preferably in a varied industrial/commercial background.
- A knowledge of the principal private and public financial sources.
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Application forms are obtainable from the County Personnel Officer, Shire Hall, Mold (Tel. Mold 2121 Ext. 2363) to be returned by 15th September 1989.

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The successful candidate will be required to develop budgetary and management control functions, produce financial appraisals for new and extended services including opportunities stemming from the Government's White Paper "Working for Patients" as well as provide financial information to the Board.

Applications are invited from ambitious Chartered Accountants, probably aged 28 to 36, seeking to widen their careers with an expanding and diversifying organisation.

Candidates should have had several years' experience in a commercial environment and be familiar with computer-based financial and management information systems.

Please write enclosing a full CV to Miss J Nicholls, Personnel Manager, Nuffield Hospitals, Nuffield House, 1-4 The Crescent, Surbiton, Surrey KT6 4BN. Tel: 01-390 1200.
Closing date 14 September 1989.

Nuffield Hospitals

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Kentucky bourbon

Wheat from the chaff

Lisa Wood explains how rationing keeps Maker's Mark a premium product

Bill Samuels Junior, President of Maker's Mark, a Kentucky bourbon distillery, was jubilant. He had just emerged from a meeting with his parent company, Allied-Lyons, which he had dissuaded from making him turn on the taps to produce sufficient Maker's Mark bourbon to meet the increasing demand.

"It is not arrogance that made me defend our current production rates, which allow for a maximum 7 per cent growth per annum," says Samuels, "I simply want to protect our product's integrity."

Maker's Mark, a bourbon created in 1953, which now has annual sales of about 150,000 cases, is a minnow compared with many of America's bourbon brands, like Jim Beam and Jack Daniel's Black, both of which sell more than 3m cases a year. But demand for Maker's Mark has grown by so much over the past decade – from being sold in three US States to world-wide distribution – that customers are only allocated certain amounts. "This year we sent 7,000 cases to Japan and the distributor will probably run out this week," says Samuels with a big smile.

The temptation, he admits, for Allied, which acquired the brand three years ago when it bought Hiram-Walker, the Canadian drinks group, would have been to cash in on the cachet of Maker's Mark, a premium-priced bourbon, and instruct him to increase stocks substantially. One way would have been to reduce the age of Maker's Mark from its current six years. It is a fate that has befallen some small volume quality brands in the drinks industry; marketing men sometimes argue that if the packaging is right and the consumers are there the integrity of the product is not of crucial importance.

Instead, Samuels successfully persuaded Allied to allow him to continue with his existing management and production style – which includes trying to make regular visits to each customer.

It is a highly idiosyncratic style of business; Samuels, an engaging, lanky, middle-aged man with a slow Kentucky drawl, even writes his own highly personalised advertising copy for the brand. One advertisement, for example, has been developed around a reader's inquiry as to which Madison Avenue agency came up with the name, Maker's Mark.

His mother, Samuels says in the advertisement, came up with the name. "Her hobby was old English pewter. She studied it. She collected it. And it was she who observed that each pewter-smith signed the work which he crafted by placing on it his . . . Maker's Mark.

It was Bill Samuels Senior who founded the Maker's Mark distillery. His family, which migrated from Ireland to Pennsylvania in 1708, had been involved in the bourbon industry for more than 150 years before Prohibition forced the closure of the family distillery.

In 1953 Samuels Sr bought a crumbling distillery in Kentucky. He wanted to create a more sophisticated bourbon than "cowboys' firewater" – his son's description of the original product. By experimenting with bread-making, Samuels Sr decided that the substitution of wheat for rye gave the product a milder, more mellow taste.

The business has grown slowly; as recently as 1979 Samuels Jr considered that a shipment which crossed the Mason-Dixon line – the traditional demarcation between northern and southern states of the US – was long-distance.

It was coverage in a US national newspaper that propelled the company to stardom. More than 100,000 letters, expressing varying degrees of interest in the company, arrived in response to the article which had emphasised the hand-crafted nature of the product, made at a distillery which the author described as a model of inefficiency but the envy of its rivals.

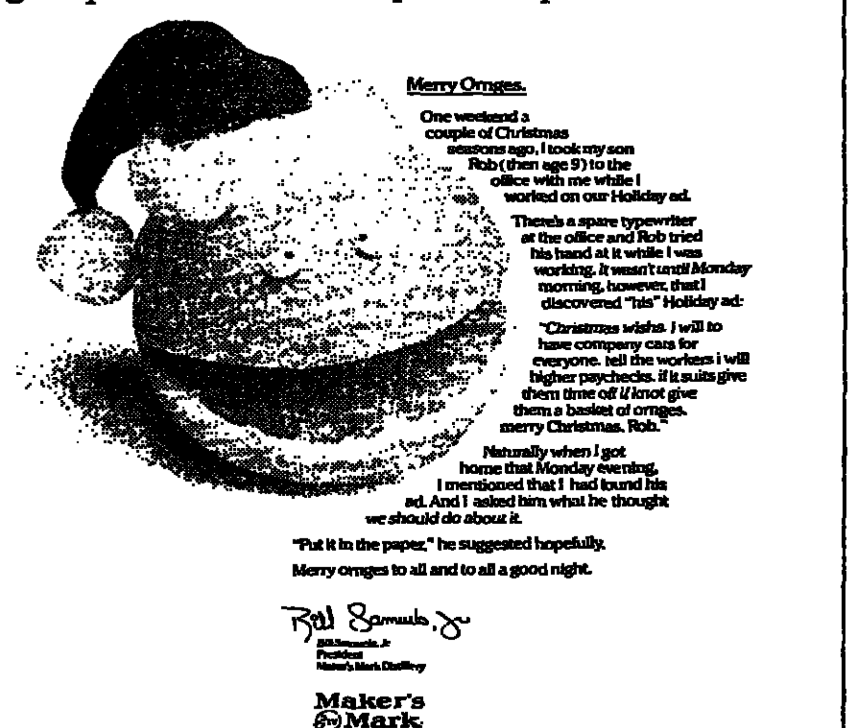
The perceived premium quality of the product – the brand traditionally enjoys a substantial franchise among what Samuels Jr calls the "mink and manure set" (Kentucky's horse-breeding community) – attracted international attention. The first overseas shipment came in late 1980 when Paul Tattinger, of the eponymous champagne house, ordered his first case. "We had to ask him to make things simple for us," says Samuels. "Like sending the orders in English."

One year later a regular order started with Harrods, the famous London department store. It was around this time that the family business decided to set its 7 per cent annual growth quota. Maker's Mark, says Samuels Jr, only used local limestone water and local grains, and they were in finite supply. Large-scale expansion would have necessitated bringing in non-local ingredients.

In 1981 Samuels Sr sold the company to Hiram Walker. He wanted to get out of the business and also realised that if the brand were to grow it needed the muscle of a larger drinks organisation.

He was fortunate that both his and his son's marketing philosophy was shared first by Hiram Walker and then Allied-Lyons. "We have been working with Maker's Mark for some years now," says John Giffen, managing director of Hiram Walker Allied Vintners, the Allied-Lyons subsidiary which takes in Hiram Walker and the Allied-Lyons spirits businesses.

"Maker's Mark is a unique bourbon and we want to preserve its image and make the brand grow over the long term. It is extremely important that we give Mr Samuels leeway. Maker's Mark is one of those very special products that we want to nurture carefully."



Opinion survey

Initial hostility to one-stop shopping

David Churchill on the likely long-term advantage of marketing conglomerates

British companies looking for marketing services such as advertising, public relations and direct marketing appear to be unimpressed by the increasing globalisation of much of the sector.

The strategy of industry giants such as Saatchi and Saatchi or the WPP Group to provide their corporate clients with one-stop shopping of marketing services worldwide is rejected by senior marketers, according to a survey carried out by the Mintel market research group and published yesterday in its latest report on the marketing services sector.

Mintel asked some 116 senior UK marketing executives whether they preferred to buy marketing services from companies which were all part of the same group. Only 13 per cent preferred to buy from a group; 39 per cent definitely decided not to and the rest ventured no opinion.

The minority who did like one-stop shopping of marketing services suggested that it facilitated communication and was more convenient.

Those that were against the conglomerate structure gave the explanation that their policy was to choose the best marketing service specialist for particular problems or projects irrespective of group ownership.

The imminence of the 1992 dismantling of European commercial barriers was also of little concern to those marketers questioned when it came to choosing a supplier.

Only 14 per cent said deregulation would make them more likely to use a group's pan-European marketing service companies, while 56 per cent said it would make no difference.

Some six out of every 10 executives polled also said that they had never approached continental European suppliers of marketing services.

Karen Cole, a business analyst with Mintel involved in the report, suggests that there is a "real task for marketing services groups to convince clients and potential clients that they offer advantages greater than the sum of their parts."

She adds that "the groups have to steer a middle course between putting too much emphasis on convenience and maintaining the independence of the group members."

Mintel, however, believes that marketing services groups will eventually establish their advantage through cross-selling of services; it is hard for a client company to refuse at least to listen to a pitch from a PR consultancy from the same group as the client's advertising agency.

"Membership of a group therefore offers an inside track advantage to a company in the selling and marketing of its services," adds Cole.

Mintel's report estimates that the marketing services sector in the UK had sales worth £13.18bn last year – a rise of just over 15 per cent on 1987 – with advertising and sales promotion accounting for more than two-thirds of this total.

According to the survey, the primary criteria for choosing a marketing services supplier were cost and value for money; the research, perhaps surprisingly, found that less than one in every four marketers thought their suppliers' charges were unreasonably high.

When choosing suppliers, companies approached on average three advertising agencies, between two and three sales promotion, PR and design companies, and two marketing consultants or market research operations.

Advertising agencies were acknowledged by the bulk of marketers in the survey to be most effective in contributing to their clients' marketing strategies; PR consultancies were considered the least effective.

One marketing executive told the Mintel researchers in a follow-up interview to the initial survey: "I'm fed up with being fobbed off with 23-year olds telling me my business."

**Marketing Services Business, Mintel, 18-19 Long Lane, London EC1A 9HE. £650.*

Showcase for industrial designers

Alice Rawsthorn reports on an exhibition of the work of this year's graduates

Year after year British industrialists have grumbled and groused about the difficulty of finding good designers. And year after year the design graduates from Britain's art schools complain that industrialists show little or no interest in their work.

One of the principal problems is that senior figures in industry simply do not have enough time to trek around all the art school degree shows searching for good designers. Similarly it is almost impossible for design graduates to show their work to every company that might be interested in their designs.

Zeev Aram, who has been running his own furniture showroom in London for more than 20 years, has hit upon a solution by throwing open two floors of his Covent Garden warehouse to show his selection of the best of the year's degree shows.

In recent months Aram has visited almost 40 degree shows to choose 80 examples of industrial design – including products, graphics, textiles and furniture – from 25 different colleges. The work will be shown at the AD Graduate 89 Exhibition, which opens next week.

The exhibition will show everything from an urban refuse vehicle – or dustcart – designed by Mark Healy from Coventry Polytechnic to a 1930s style FM radio by Karen Sainsbury at Brunel University. It will also feature furniture and jewellery.

This will be the second of Aram Design's graduate exhibitions. The first exhibition, held last year, attracted 2,000 visitors, more than 200 of whom came from industry, although it is pertinent that half the "industrial" visitors were from overseas companies.

A number of the graduates represented in the exhibition have since seen their designs used commercially as a result of the contacts made there.

Barbecco, a ceramics company at Newbury in Berkshire has produced a range of tableware designed by William Edwards, a graduate of the Royal College of Art. The Conran Shop, the smartest store in the Storehouse empire, has started to sell furniture designed by Nick Cary, a graduate from the London College of Furniture.

Zeev Aram hopes that some of this year's exhibits – and their creators – will find their way onto a factory production line or a shop floor too.

The AD Graduate 89 Exhibition will be held at Aram Designs, 3 Kean Street, London WC2B 4AT from 9.30 am to 5.30 pm from September 6 to 28.

Dustcart designed by Mark Healy of Coventry Polytechnic

TECHNOLOGY

When it pays to treat the customer as a partner

David Fishlock explains how a French company has built up an enviable portfolio of contract research

A French engineering research company which specialises in solving other people's problems has invented a spy-in-the-sitting room so sensitive that it can tell when you doze off in front of the television.

Its "eyes" register how many people are watching, who leaves the room or falls asleep, when channels are switched or advertisments suppressed. Bertin et Cie, which spent £1.5m as a private venture adapting French satellite camera technology for this homely role, believes it will provide television audience research with its first "live" view of public reaction to programmes. The domestic "black box" costs about £2,000 and the first ones are being installed in the homes of 1,500 French families.

Bertin claims to be Europe's biggest privately owned contract research company. At its headquarters at Plaisir, near Versailles, is a team of nearly 700, of whom 60 per cent are engineers. It undertakes about 800 contracts a year for 300 customers.

It offers clients access to a large, well equipped laboratory at minimal financial risk – an approach that could appeal to the big national laboratories in the US and Britain.

Jean Bertin, an aerodynamicist, founded the company in 1956 after inventing the reverse-thrust method of braking an airliner, only to learn that his employer SNECMA saw no use for it – in those days it only produced military engines. SNECMA did, however, encourage him to develop it privately and to take 20 engineers with him.

From there Bertin built up a technology-oriented organisation ready to work in any industry, adapting its technologies to their particular needs.

Today the company is as much at home devising robots that brush the mould from discs of maturing French cheese as it is investigating aerospace problems, such as ignition troubles on the Vulcain rocket engine of Europe's Ariane V launch vehicle. As Pierre Germain, in charge of international marketing, puts it, "the laws of thermodynamics are the same in space as in the food industry."

Marketing has a special meaning for the company. Its marketing people are engineers who know particular industries. The marketing director holds the same rank as the directors in charge of the four technologies in which Bertin specialises: mechanical engineering, thermodynamics, electronics and optics, and quality engineering.

Lord Rothschild, advising the British Government, once defined contract research in these terms: "The customer says what he wants. The contractor does it (if he can); and the customer pays."

Bertin's approach is more of a partnership. It likes to work closely with the customer, building up confidence by showing that it understands the problem and aims not only to find a solution but also to ensure that the technology can be transferred efficiently at an acceptable price. It often transpires that the problem is not what the customer thought it was. "He learns with us what is possible," says Georges Mordchelles-Regnier, director-general responsible for future development.

The customer pays for the first stage – up to system analysis (see chart) – even if the project proceeds no further. The analysis may lead to a demonstration of the proposed solution, followed by design and construction of a working prototype. The final step may be to tool up for production of the new piece of equipment.

"Often," says Mordchelles-Regnier, "we will end up with a mixture of the customer's and the contractor's staff engaged on the project." For Bertin, this is the customary approach to technology transfer. It avoids re-inventing the customer's own technology. It is "cheaper, faster, more acceptable to the customer's own people," Mordchelles-Regnier says.

Bertin also prefers to reach agreement with its clients about the most appropriate approach. One method is to treat technologies like building bricks and assemble the solution. But although this is quick, it does not achieve the optimum solution, says Mordchelles-Regnier.

Another method is what he calls the "fusion of technologies" in which technologies are blended to reach a better solution. An example might be a fusion of mechanical and electronic technologies – what the Japanese call "mecatronics".

The third approach is to combine the building-brick and fusion methods. "We try to identify with the customer which approach suits which part of the project," he says.

Bertin often backs up its technical advice with computer modelling of its proposals, aiming to minimise the amount of "make-and-break" needed to demonstrate a successful solution.

Mordchelles-Regnier believes that the sophistication of Bertin's technology transfer process has begun to pay off handsomely in European collaborative research programmes. In addition to participating in several Esprit and Brite projects, the company has won a leading role in the Eureka Labimap programme, as the system engineers in partnership with Amersham International, of the UK, for the new technology needed to map the human genome (all the genes).

Mordchelles-Regnier is also trying to persuade European Community officials that because technology which a contract research centre has helped generate is much more widely disseminated than technology generated by a manufacturing company, the EC should be prepared to pay up to 100 per cent of the contractor's research costs in such collaborations.

On the domestic front, Bertin's work for French companies has included:

● developing an array of nine four-axis robots to make plastic sponges round-the-clock for Spontex, each robot averaging 1,700 cycles a day;

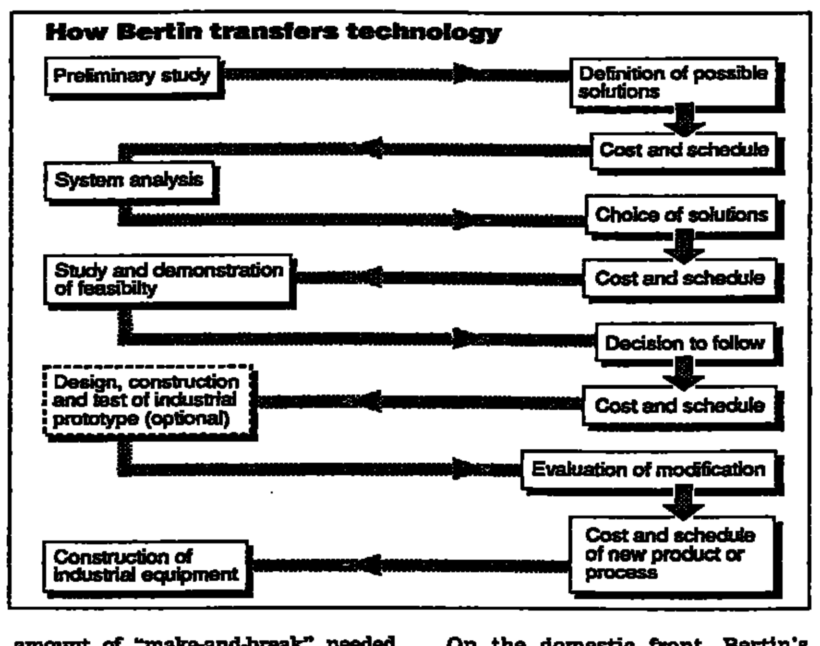
● completing a heat-treatment system for continuous processing of steel plate up to 35mm thick, without buckling, for Usinor;

● making a computer-controlled machine for automatically assembling steam generator tubes for Framatome's nuclear (pressurised water) reactors;

● producing a dynamic roadside advertising display for Decaux;

● applying computer-aided design and manufacture (Cad/Cam) to the moulding of false teeth, using an optical method of "reading" the contours of the mouth. This cuts the time taken to make a new set of dentures to just one hour.

How Bertin transfers technology



Energy project that could help clean up the Black Sea

One of the less conspicuous consequences of President Mikhail Gorbachev's policy of glasnost and perestroika has been a realisation that the Soviet Union – like many countries – faces serious ecological problems. Soviet greens might not have a party, but their demand that the environment be protected is being heard.

The Black Sea, once the jewel in the crown of the Soviet holiday industry, is today confronted by an ecological threat caused by pollution from shoreside factories and by waste dumping. Fortunately this situation could soon be reversed by what has been described as "a unique coastal energy complex". It will use the sea's mineral gas deposits to generate electric and thermal power.

The Black Sea is the world's largest depository of various mineral gases. Studies by Soviet experts have established that it contains about 75bn tonnes of high calorie gas fuels, including hydrogen sulphide, ammonia, methane and ethane.

Of these, hydrogen sulphide (produced by decaying animal or vegetable matter) is lethal to living organisms. Over the last 7,000 years, the layer containing this deadly gas has been steadily rising from the seabed. Once 2,200 metres from the surface, it is now ascending by 2 m a year. If nothing is done, it will reach the surface in less than 50 years.

The proposed electric and thermal power station on the shores of the Black Sea – a joint venture between the Krzhizhanovski Energy Institute in Moscow and the Institute of the Biology of Southern Sea at the Ukrainian Academy of Sciences – will consist of a series of generators, a network of pumps to siphon water saturated with various gases from the sea and equipment to recover sulphur.

Instead of the conventional pumps used in the West to raise water from the bottom of the sea, the Soviet designers are planning to install an energy-saving system operating on the principle of "communicating vessels". Pipes containing columns of water are connected both to a reservoir of sea water on the shore platform and to the surrounding sea. As water is sucked by the pumps from the reservoir, the water in the pipes is instantly replenished from the sea, ensuring a constant level.

Soviet scientists claim to have evolved a new method of separating water from combustible gases, based on the principle which operates when a champagne bottle is opened. Once the cork is removed, compressed carbon dioxide fizzes out. In the power station, once pressure has been removed from water originating from the bottom of the sea, combustible gases are released, trapped and then recovered.

Cleared of mineral gases, the water (with a comparatively low temperature of about 9 deg C) does two things: cools the condensers and then turns the blades of the hydraulic turbines to produce energy.

Rustam Akhnmedov, project manager, believes that the energy costs of pumping and purifying the sea water saturated with mineral gases and other running costs will be only about 20 per cent of generated power, making the system reasonably cost-effective.

The designers also hope to use the hydrogen sulphide by-product in the manufacture of fertilisers. To this end they have invented what they claim to be "non-pollutant and waste free techniques." One is based on the well established principle that immediately after combustion sulphur settles on the inner walls of exhaust units, from which it can be easily removed. Another possibility would be to dilute sulphur anhydride, formed as a result of combustion, with water and turn it into sulphuric acid.

Soviet experts estimate that the vast reserves of combustible gases in the Black Sea could generate up to 80bn Kw/h of energy a year.

What is more, as another by-product, clean water is sent back into the Black Sea. As the pollution is gradually reduced, this will remove a serious cause of worry not only to the Soviet Union but also to the other Black Sea countries – Turkey, Bulgaria and Romania.

Andrew Wiseman

Desk-top publishing specialists start a chapter on visual aids

The desk-top publishing (DTP) boom is over, according to Chris Mortensen, an analyst with investment bank Alex Brown and Co. "A few years ago, desk-top publishing was the hottest hot button in the industry, but that can't keep going for ever. The market is growing, but not that fast."

Jeremy Davis, of market analysts Context, confirms the change in expectations. "Growth slackened off because people realised there was only so much you could do with DTP."

Some corporate buyers were disappointed to discover that they could not turn secretaries into skilled page layout artists overnight. Robin Burton, sales and marketing director of Cristies which distributes the DTP package Pagemaster, agrees that some users were naive. "A main weakness of DTP is the lack of skilled personnel. Realistically it takes six to nine months to become effective."

Disillusion with DTP has diverted some buyers' attention towards top-of-the-range word processing packages. Many products now include limited typographical features to enhance the appearance of a document, while steering clear of the arcane world of leading and gullies.

Aldus UK, an Edinburgh-based subsidiary of the US company which developed Pagemaker, one of the DTP market leaders, expects an increase in sales of only 17 per cent in 1989 compared with growth rates in excess of 100 per cent per annum during the last three years. To sustain growth, Aldus needs to find another market to exploit the techniques developed for DTP.

The company has lined up its sights on corporate presentations. Anyone who has been lulled to sleep by hours of scrappy flipcharts and illegible overhead projector slides will agree that there is scope for improvement. No one can do much about the inaudibility and mannerisms which afflict many public speakers, but it is possible to improve the quality of their visual aids.

The market for corporate presentation aids is dominated by the Apple Macintosh and a handful of software packages, including Cricket Presents, Microsoft Powerpoint and Gem Presentation Team. The graphical features are much as you would see in a DTP system without the sophisticated text formatting facilities. More significant differences are the ability to sort a sequence of screens into a "storyboard" slide show and the variety of output devices available.

You can create 35 mm slides via a number of machines, from the Polaroid Palette at about £1,200 to the Honeywell Slide Writer at £7,000. Some packages enable overhead projector foils, audience handouts and prompt notes for the speaker to be created from the same source.

Aldus's bid for a share of this market is being made via a package called Persuasion which runs on the Apple Mac and will soon be followed by a PC version. Paul Brainerd, president and co-founder of the company, hopes to reduce the proportion of income generated by Pagemaker from 90 per cent to 65 per cent to avoid the rapid rise and fall of other single product companies.

It remains to be seen whether the presentations software market will provide a fruitful new avenue for the DTP specialists.

Andrew Cowie

CINEMA

Art v commerce: the US wins on points

Nigel Andrews on how European film-making is being beaten to the punch by American pizzazz

WESTERN cinema is a boxing match. Under the glare of floodlights American cinema, embodying all things commercial, forever slugs it out with European cinema, embodying all things artistic.

Neither party can win, because each uses a different measure of excellence. European cinema thrives on critical buzzes, American cinema on cash at the turnstile. But the one standard both cinemas can be judged by, in an emergency, is vitality.

It is certainly emergency time for Europe. The last European heyday was the 1960s, when rule-breaking, taboo-breaking mavericks of the new generation (Godard, Truffaut, Pasolini) joined with the old masters cranking out their late masterpieces (Fellini, Visconti). American cinema back then was in a doldrums decade of ersatz radicalism and TV-trained stylistics (Lumet, Pollack, Frankenheimer).

Today American cinema is dancing. It has all the strength, agility and glove-power, while European cinema is lying on the canvas gasping for breath. Nothing better illustrates why than the simultaneous release of Ron Shelton's *Bull Durham* and Ermanno Olmi's *Legend Of The Holy Drinker*: two middle-expectation movies from each side of the Atlantic. *Bull Durham* brims with energy and an easy, credible flow of character and incident. Olmi's film is a cramped, over-meditated "art movie" bearing no relation to either art or life. Shelton's film is like strolling through a busy American small town on a summer's day. Olmi's is like being kept in school after class by a mouldering teacher: one who blames your lack of response on you rather than his own poor teaching methods.

The pity of Olmi's film, which won the Golden Lion at Venice last year (mainly, it was whispered, because the director had just been ill) is that this film-maker at his best is full of life. (See *Il Posto*, *I Fidanzati* and *The Tree Of Wooden Clogs*). But shades of 1980s Euro-sickness, when the Continent's cinema struggles for style in a decade obsessed with political-cultural homogenisation, fall upon the film and suffocate it.

Its co-production auspices require Dutch actor Rutger Hauer to speak English in an Italian film-maker's adaptation of a story by a Austro-Hungarian Jew (Joseph Roth) who lived in France. The mind boggles. It keeps boggling when it sights Sir Anthony Quayle (English) hoving into view, as the mystery philanthropist who gives penniless Hauer 200 francs (we are in Paris). This gift Hauer promises to "pay back," as soon as he may, in a donation to a certain church.

Unfortunately Hauer gets involved in drinking a lot of wine, in thinking deep self-pitying thoughts and in being waylaid by mysterious ladies. His self-imposed deadlines keep expiring and so does the audience's patience. Olmi's Paris, unlike Olmi's real and eternally youthful Italy, is pasted together from tourist views and clichés. The camera seems stricken with some strange paralysis. And where *The Tree Of Wooden Clogs* or *Long Live The Lady* make dialogue seem the spontaneous purlings of an underground river of thought, here the lines are bitten off, dead and cold, like stalactites from a cave.

THE LEGEND OF THE HOLY DRINKER (PG)
Lumiere

BULL DURHAM (15)
Prince Charles

THREE FUGITIVES (15)
Odeon West End

SEE NO EVIL, HEAR NO EVIL (15)
Warner, Cannons West End

KILLING DAD (PG)
Cannon Shaftesbury Ave

Roth's story is a complex, gem-like fable that needed a film-maker who excels at the runic and the crystalline. (Alain Resnais? Peter Greenaway?). Pairing Olmi with the work is like asking Verdi to make an opera from a Chinese haiku.

Bull Durham is the latest movie about baseball: a foreign language if ever there was one. Yet the film has a fresh, frontier-leaping charm in its story of a headstrong young pitcher (Tim Robbins) who is taken in hand by an older player (Kevin Costner) and by an ageing, bed-happy baseball groupie (Susan Sarandon). The Durham Bulls are reeling from one defeat to another and new signing Robbins is a young genius who merely needs help to grow up.

Just like American cinema, you might say. (Pray heaven it never grows up: it might become like European cinema late-Olmi-style.) For much of the film, first-time writer-director Ron Shelton, a former baseball player, simply sets up the star chemistry and watches it fizz and bubble. Costner's loose, wry perplexity and Henry Fonda drawl; Sarandon's high-strung, pop-eyed sexiness; Robbins's marshmallow-faced innocence.

The themes are not injected into the movie hypodermically (as in *Legend Of The Holy Drinker*). With story and casting this adroit, they flow naturally in the film's blood. Age versus youth; cynicism versus ingenuousness; and the paradox that laziness can be a youthful affliction (Robbins) while lust for life (Sarandon) is an eagerly snatched prerogative of the ageing.

Shelton keeps the brain alert with character puzzles — is Robbins less dim-witted than we think, or Costner more so? — and the eyes alert with endearingly loopy contrasts of setting. We keep shuttling between the Spartan shambles of the locker-room, all steam, machismo and expletives, and the "feminine" gentility (delirium by floral pattern) of Sarandon's house. Even the puzzles one never solves in the movie, like why the bony, fortyish Miss S has such a formidable hit rate as a sexual temptress, seem part of life's natural mysteries rather than a miscalculation at script or casting stage.

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Not every new American release is a dead cert, even in this Indian summer when every second film seems to make $100m. Francis Veber's *Three Fugitives* is a Hollywood version of his French comedy hit, *Les Fugitifs*. It starts well and ends well, with tough Nick Nolte and pixillated Martin Short (face like a gnome, eyes like UFOs) as ill-matched bank robbers. But in between there is a subplot of killer sentimentality involving an autistic girl (Sarah Doroff). Wait for the video and make free with the fast-forward button.

See No Evil, Hear No Evil must have grown from inspirational paroxysms in the Tri-Star Pictures boardroom. "Let's have a vehicle for Gene Wilder and Richard Pryor, boys!" "Yes, they were a big hit in *Stir Crazy*." "How about a deaf Gene Wilder teamed up with a blind Richard Pryor?" "Terrific! And it's never been done before."

I wonder why. Perhaps the answer lies somewhere in this long, jokeless drought of a movie: a shaggy-guide-dog story in which our two stars, chased by the cops for a crime they did not commit, have a chortlesome time helping out with each other's handicap. Arthur Hiller directs. Wait for the video version and throw it in the dustbin.

Killing Dad is a British black comedy about the Oedipus complex. If dispatched to Southend by your mother (Anna Massey) to collect your 27-years-absent father (Denholm Elliott), would you (Richard E. Grant) collect him or (your secret desire) kill him?

Neither. You would spend your time bumping into the furniture, falling over, or canoodling inexpertly with Julie Walters, a hotel-dwelling floozie. You would also wonder why a soi-disant comedy had given you no funny lines to speak. Michael Austin wrote and directed this first feature film to be co-produced by Scottish Television. Let us hope it is not the last, even though it deserves to be.

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If the week's new releases deter you, why not consider the re-releases and retrospectives? The National Film Theatre limbers up for a leviathan Walt Disney retrospective (September 5 to mid-November). More than 50 years of "family entertainment" are celebrated, from *Snow White And The Seven Dwarfs* to *Three Men And A Baby*. (Strange domestic arrangements seem to be a Disney speciality.) Personal appearances, too, by veteran Disney animators.

Sam Peckinpah's studio-mauled Western *Pat Garrett And Billy The Kid* is back, re-edited in accordance with its late director's intentions. Whether this amiably sprawling horse-opera is improved I cannot say, the press show having been too late for my deadline. But curiosity-seekers should seek it out. James Coburn and Kris Kristofferson star; Bob Dylan strums a mean pair of tonsils; and Peckinpah was the last great Western director, even if the jury is still out on whether this is a great Western.

Finally, at Brighton from September 8, "Cinema 89" unfurls: three days of starry British premieres (Ken Russell's *The Rainbow*, Terry Jones's *Erik The Viking*, and *Lethal Weapon 2*) at the sunny sea-shore. Treat yourself to an awayday.

Kevin Costner in *Bull Durham*

Never the Sinner

NORTHCOTT THEATRE, EXETER

We are back with the Leopold and Loeb case, the two young Chicago students who murdered a boy to prove to each other that they were supermen. It is unlike most murder plays in that the murder and the trial take place together. It was seen at the Edinburgh Fringe two years ago, and won an award.

Leopold and Loeb sit under a spot in a dark house, whispering together between cigarettes, and Leopold can't keep his right hand still. We learn why when the lights brighten; there are policemen surrounding them, and Leopold's wrist has been hurt by the handcuffs. We are in a courtroom.

In Sean Cavanagh's design, the State Attorney's table is on one side, a table for the defence opposite, and upstage a third table mostly for the press. The reporters shout out what they are writing, and the defendants, side-by-side in the middle of the court, get unashamed pleasure from reading it. The State Attorney (Patrick Mower) makes his opening address, largely about our brave boys fighting in France. This is 1923.

The lights (under Mick Hughes) release us now and then from the court, so we may learn of the sex-pact between the young men, Loeb the masterful element, a glamorous blond in Ben Daniels' portrayal. Leopold, as Denis O'Hare plays him (and played him in Chicago) is a dull intellectual. Loeb likes to whisk him off in a waltz, and when the great Clarence Darrow, who is to defend the two, begins his investigation, this is how his clients react, to show their contempt for the legal flummery. We know the students are guilty. We have heard them choosing their victim, Bobby Franks, and have seen them enact the killing from their chairs, Leopold driving and Loeb whacking the boy's head with hard overarm swings. We hear that they took the boy into the back of the car, and "only they know what else they did," in Darrow's phrase. At any rate it left him naked and dead in a culvert.

Now the star players in the show are Ewan Hooper as Darrow and Patrick Mower as Crowe, the State Attorney, but by the end of Act 1 Darrow has hardly said a word. Daniels and O'Hare are in the star parts and know it.

In Act 2, the trial moves towards its climax, but in an unexpected way. There is no chance of acquittal, so Darrow changes the plea to "guilty" and concentrates on persuading the judge (unseen at the back of the auditorium) against a death sentence. This is where what had begun as an entertaining view of a fascinating case runs down.

For three months, and it seems more, he calls up his experts. We see few of them, and these certainly the least interesting. Where are the alienists? There should have been a climactic summary by Darrow, and Ewan Hooper, humorous but august, should have made something of it. It is the author, John Logan, who has not. Darrow's long, dull final speech is mostly a routine attack on capital punishment.

Leopold and Loeb, who are looking forward to consummating their pact by dangling side by side, are more effective. They are deprived of their posthumous delight, though; they get life plus 99 years.

B. A. Young

The Water Engine

HAMPSTEAD THEATRE

"Good drama has no stage directions," said David Mamet in a seductively fallacious essay about plays on radio, suggesting that *Streetcar*, *Godot*, *Long Day's Journey* and *Lear* lose nothing in the Bakelite transposition. Mamet originally wrote *The Water Engine* as a short story (unpublished), then as a movie (unmade), then as a radio play (performed), in which state it was finally produced on stage in Chicago in 1977. It is an elliptical, infuriating piece of work that illustrates Mamet's argument without really proving his point.

It is also a short (75 minutes with interval), snappy and confident piece that is part crime thriller, part homage to the evocative days of steam radio.

The story setting is 1933 Chicago during the Century of Progress Exposition; the stage setting, by Robin Don, is a radio studio of absorbent grey blocks where a group of actors sing in close harmony round a hanging mike. The buzz of the airwaves intermingles with the story of a laboratory technician, Charles Lang (Peter Whitman), who has invented an engine which runs solely on distilled water.

Some shady lawyers want to lay their hands on this invention, incorporate it into the onward march of general knowledge and private gain. Lang has a sister, Rita (Mary Maddox), who dreams of wealth and fame in an innocent, pastoral sort of way.

The technically interesting thing is that these aspirations, and the encircling net of the representatives of capitalism and exploitation, are written in a jostling double focus: that of authentic film noir, and that of microphoned wireless studio melodrama.

The high point of Robin Lefèvre's smart, brisk production (cunningly lit by Nick Chelton) is the scene where Nick Dunning's grey-suited, hissing lawyer tries to extract the formula during a walk in the park with the inspired boffin. The actors sweat tidily into their microphones, physical presence usurping the mere words, studio footsteps echoing beyond, a dark park enclosing the protagonists. The drama of actors having to inform unseen characters with a spuriously induced reality suddenly cleaves open the *real* theatrical possibilities.

Instead, the floating apparatus of background noise subsides into stylistic hubbub: the rampant patriotic democrat on his soap-box, the fleeting hints of another Lindbergh baby kidnap case, and, especially, the persistent thematic current of the chain letter fad. Paying up to guys you don't know ensures a profitable world market for all, with community spirit to boot. The criminal dispute over Lang's invention is nonchalantly picked up by a Chicago Daily News reporter (Stephen Boxer) who ends up describing corpses in the river without knowing they relate to the same case.

Nick Dunning in *The Water Engine*

Alastair Muir

By now the play has moved into a contradictory dramatic plane, or maybe Mamet wants to write like Chandler after all. The theatrical impact, however, is confusing and messy, characters hover as aerated speech balloons despite uniformly excellent acting. Mamet's 1982 savage urban cartoon, *Edmond*, was the real development of this play and of the other early revue shutter-style pieces. In giving us *The Water Engine*, Hampstead is feebly kowtowing to a reputation, not enhancing it.

Michael Coveney

Edinburgh Festival

Broad sweeps on the Fringe

TWO OF the outstanding productions of this year's Fringe, Communicado's *The House with the Green Shutters*, and the Russian musical *Poor Liza*, came my way just as I was beginning to despair about losing the baby down the plughole.

After so much more or less perfectly formed smallness it comes as a relief to find companies capable of a broader sweep; moreover to discover that breadth of vision is not necessarily a matter of numbers. *Poor Liza*, with Moscow's Theatre Ou Nikitskikh makes its British debut at the Traverse, has a cast of four with three musicians, while Communicado's latest piece at the Heriot Watt weighs in at a slightly heavier six and two.

Both directors have a splendid ability to explore the resources and conventions of the theatre without shifting focus from the central narrative, and both bring music into the picture to the extent that it becomes a dimension of the text. In *Poor Liza*, a demon fiddler bathed in red light momentarily takes centre-stage like a portent of Liza's tragedy; in *The House with the Green Shutters* the two musicians are summoned from their annexe — an integral part of Colin MacNeil's clever clapboard set — to become bandsmen at a shop-opening celebration.

Gerard Mulgrew directs Communicado in his adaptation of a novel by George Douglas Brown about a family caught between progress and a redundant idea of their superior station in life. The house of the title is John Gourlay's badge of status, but it is also his security as his trade monopoly is crushed by the arrival in his small Scottish community of Wilson's Emporium. It is his wife's prison, his son's refuge, and finally their collective tomb.

The story is told with an often astonishing virtuosity of direction and performance. A table is transformed from the back of a carriage to the family dining room where Gourlay senior vents the humiliations meted out to him on his journey. The banging of glasses in a drinking scene sets up a menacing percussion as the young Gourlay (Kenneth Glennan) sups the last of his dignity, and there is an echo of *The Grapes of Wrath* as Anne Lacey's moonfaced Mrs Gourlay suckles her son on a whisky bottle.

The tone of *Poor Liza* is far less than dour, as befits the simple tale of a country girl seduced and spurned by a wealthy city type. It is adapted by Mark Rovovsky from a late 18th century story by Nikolay Karamzin, represented in the play by an interventionist narrator who tells the story in English but is not above blowing out the candles on Liza's modesty or joining the lustful Erast in a carriage formed by twirling hoops on their fingertips.

The central climatic scene of Liza's deflowering is an extraordinary feat of sight and sound, with Olga Lebedeva's flaxen hair in passionate abandon at one end of the stage while at the other, her lover is banally convulsed with pelvic thrusting.

The progress of Jim Cartwright can be flippantly measured in the dwindling lengths of his titles: after *Road* and *Bed* comes *To*, leaving him with little alternative in the name of consistency but to name his fourth play *A*.

In *To* Cartwright returns to the idea of geographical community, through the setting of a pub in which a roomful of regulars play out their domestic dramas, impervious to the other lives being lived in the same space. There is reference to soap opera in the episodic theme structure, the scenario presided over by as couple whose marital difficulties are sublimated in bar room banter, and even in the casting of two well-known soap actors, Sue Johnston and John McArdle, from "Brookside."

Cartwright clearly intends to use these references to subvert the crass and cosy fictions of soap opera, enshrining the isolation of his characters in a two-hander which provides a dazzling showcase for two accomplished stage actors. One minute they are playing out a lovers' tiff, the next the fag-end fantasies of two television-fixated pensioners. Loneliness, injustice, and absurdity are here.

Cartwright's mastery of the soliloquy is abundantly apparent, and he proves himself a fine comic writer, but he seems to have got lost up a structural cul-de-sac. There is little sense of theatricality challenging the limitation of television culture, despite the occasional cursory attempt to break space with the audience.

A brief final word for a student production which could serve as a lesson to many on the Fringe. Alex Roberts' *Nichelopera*, a revamp of *The Beggar's Opera* for the Edinburgh University Theatre Company, uses stilts and scaffolding to fine effect to bring the Peachums up to the minute, weaving bits of Gay's text into something wholly original and shedding intriguing new light on the ending.

An invigorating and eclectic score by Chris Hoban reaches divine height with an acepalla quartet of prostitutes justifying the sale of their bodies. This piece at the Bedlam Theatre is student theatre at its best: thoughtful, audacious, and well produced.

Claire Armitstead

ARTS GUIDE

August 25-31

EXHIBITIONS

London

The Whitechapel Gallery. Euan Uglow — a retrospective of the paintings of the nude by a painter who is at once the most severely objective and the most seductive of our painters of the figure. Until September 3; closed Mondays.

Paris

The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.
Bibliothèque Nationale. 1789 Le Patrimoine libéré. Rather than inheritence liberated, words like confiscation and plunder would describe more accurately the manner in which the 200 treasures, chosen from hundreds of thousands of documents, reached the Bibliothèque Nationale from churches and palaces during the revolutionary years. 52 rue de Richelieu. Ends Sept 10.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. Ends Nov 19 (026-223978).

Bremen

Kunsthalle am Wall 207. A Karl Schmidt Rottluff retrospective (1884-1976) with around 200 pictures, sculptures and paper works from 1907-1970. The exhibition closes with aquarelles from the 1970s. Ends Sept 10.

Brussels

Passage 44. Brel et les peintres - works by 20 painters inspired by Jacques Brel (ends Sept 2). 44 Bd. du Jardin Botanique 218 25 75.
KB Gallery James Ensor Etchings: works from the Franck Collection. (Ends Sept 10) 19 Grand Place.
Halles St Gery - Avanti, Bertrand Neuman (Ends Sept 9), Place St Gery.
Musée du Costume et de la Dentelle. Women and Equality 1789 - 1889. Ends Sept 24.

Amsterdam

Amsterdam Historical Museum. A selection of 70 design drawings from the private collection of art dealer Lodewijk Houthakker. Ends Sept 17.

Vienna

Museum for Applied Arts is celebrating its 125th anniversary with an exhibition focusing on the impact art has had on industrial design in Austria. Ends September 4.
Schloss Grafenegg, in Lower Austria. Besides a marvellous place to visit, there is a wonderful exhibiton of children's books and fairytales. Until September.
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The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Until November 15.
Museum for Applied Arts is celebrating its 125th anniversary with an exhibition focusing on the impact art has had on industrial design in Austria. Ends September 4.

Rome

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some curious examples of German neo-expressionism. Until Oct 2.
Museo Napoleonico. Eighteenth-century Roman Theatre and Carnivals. Life was anything but comfortable for impresarios under the oppressive papacy of Pius VI, with ruin continually staring them in the face through forced closure by unpredictable papal censors. Ends Sept 30.

Turin

Russian and Soviet Art: 1870-1930. Renzo Piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Giovanni Carandente an immensely effective setting, turning the ground-floor workshops of the disused Fiat factory into the equivalent of an Arab tent. Ends October 20.

Spoleto

Rocco Albornoziana and Church of S. Nicolo. 17th century painting in Umbria. The exhibition is the fruit of nearly 20 years research work by Professor Bruntoscano and a group of helpers, who have been through Umbrian churches and convents with a toothcomb, and the gloriously restored results can be examined close-to in two settings (of which the latter is by far the most satisfactory). Ends Sept 23.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's La grande Jatte, and Renoir's Madame Monet and Son. Ends Sept 4.

New York

Whitney Museum. A special exhibit from the museum's extensive holdings of Edward Hopper highlight the realistic painter's Paris and domestic scenes among the 150 pieces in all media. Ends Nov 5.

Tokyo

National Museum. Heijokyo Exhibition. Important archaeological finds excavated in the past 30 years in Nara, where Japan's capital and imperial palace were located in the eighth century. Closed Mondays.

"Blues to Bop" in Lugano

Lugano's *Blues to Bop* jazz festival takes place from September 1 to 3. Among US artists performing are Champion Jack Dupree, Snooky Pryor, Benny Waters and the Barrett Sisters. From Britain will come Dana Gillespie, Otis Grand and the Dance Kings, Blues 'n' Trouble and Bob Hall. Details of the free festival from PO Box 260, 6906 Lugano, Switzerland (tel: 091 20 72 10).

FINANCIAL TIMES

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Thursday August 31 1989

The Polish challenge

JUST ONCE or twice in a normal politician's career there comes a challenge that far transcends the small change of politics. A statesman is no more than a politician who has the ability to recognise and meet such challenges. So it is now with Poland. As Mr Tadeusz Mazowiecki comes into office at the head of the first, fragile non-communist government in an eastern bloc country, the challenge is extraordinary – and not for the Poles alone.

Failure of this government would ensure political and economic chaos in Poland, undermine perestroika in the Soviet Union, and greatly increase the likelihood of instability throughout eastern Europe. At best, Western Europe would be threatened with a flood of refugees. Worst, the hope of a peaceful transition from the communist cul de sac would be revealed as an illusion.

Success, by contrast, would go far to heal the wounds inflicted by the Second World War, the anniversary of whose beginning is – with apt symbolism – now upon us. The war began with a cynical deal to divide and subjugate Poland. It would be an occasion for rejoicing if its anniversary were to see secured the ostensible aim of the Western Allies at that time: a free Poland. How the West now treats Poland would also be seen as both a precedent and an incentive for the rest of eastern Europe.

For Poland to remain free and stable, it will also have to become prosperous. The Government must introduce a programme of economic reform that gives a chance of successful market-oriented economic development. In return, the western allies and particularly western Europe must be prepared to ensure both the required resources and market access.

That programme of reform must be comprehensive; it must be radical; and it must be implemented swiftly. This is the lesson of successful adjustment elsewhere, but it is a lesson of still more relevance to Poland.

Window of opportunity

The conjunction of the Solidarity-led coalition government in Poland with perestroika in the Soviet Union creates a narrow window of opportunity. The most objectionable features of the socialist omelette need to be unscrambled before concerted opposition – within and outside Poland – can even be mounted. Equally, if ever a Government could reasonably expect a honeymoon, this is the one. But it will be short.

The status quo is, in any case, not an option. Poland's economy is sliding downhill. Food deliveries have plummeted and industrial production is in decline. In a land of shortages only cash is abundant, with prices rising by 85 per cent over the first seven months of the year compared with the corresponding period of 1988.

More fundamentally, an economy as distorted as that of Poland cannot be liberalised piecemeal. What is the point of freeing prices if there is no competition? What is the use of liberalising domestic prices if they bear no relation to prices abroad? How can entrepreneurs function if an army of bureaucrats interferes at random in all their decisions?

Economic reform must have three elements: macroeconomic stabilisation; reform of incentives; and privatisation. Each is necessary, but only together will they be sufficient.

The Government must find a way of financing itself without resort to the printing press and, in addition, must reform the currency. Beyond a certain amount, monetary holdings might be swapped into long term indexed bonds or real assets (perhaps housing).

The most important change in incentives is comprehensive trade liberalisation. (To the extent that responsibilities to Comecon remain, they would have to be dealt with separately, just as India continues to conduct barter trade with the Soviet Union.) There should also be reform of personal taxation and a unified market in foreign exchange, along with convertibility on current account.

But this would not be enough. In the socialist state hundreds of thousands of people may interfere in economic life, but nobody benefits directly from the efficient use of productive assets. If improved incentives are to bring corresponding changes in supply, there must be privatisation, with failure by enterprises bringing clear penalties and success equally clear rewards.

The details need to be worked out carefully, but it will be swifter and more sensible to give assets away than attempt to sell them. Those assets could perhaps be divided among the population at large, the workers in individual enterprises and, as compensation for the army of bureaucrats who need to lose their jobs, the members of the *nomenklatura*.

Crossing the abyss

This is a daunting programme, but no more so than the task. An abyss cannot be crossed in two strides. Even so, the new Polish government will not succeed unaided. Western governments should offer technical assistance and encourage their firms to invest in the Polish economy. Above all, they must open their markets to Polish exports and offer to eliminate the Polish debt in return for comprehensive reform.

Fortunately, western governments account for almost two-thirds of Poland's debt. They can, therefore, provide the bulk of the required relief without "bailing out the banks." Small-minded people will bleat about the precedent of debt forgiveness. The Brady plan has, however, already recognised the principle of debt reduction. More important, a unique and fragile opportunity to further the principal strategic objective of the western alliance of the past 45 years is no occasion to emphasise petty principles or count petty cash.

More important is how such a programme should be monitored. The International Monetary Fund is inevitably involved as a source of new funds (along with the World Bank). But the role of western Europe suggests a corresponding role for the European Community. At the very least the EC will play a decisive role as Poland's principal western trading partner, while the European Free Trade Association could become a new home for a reformed Polish economy.

There is another institution into which Poland should also be invited: the Organisation for Economic Cooperation and Development, the progeny of the organisation that oversaw the Marshall Plan. What Poland needs, after all, is no more than the policies and the resources denied it during the post-war recovery of western Europe.

This is the heart of the moral case for active and generous western involvement. Not that the case is moral alone, since the practical consequences of failure are so grave. But none of the great western powers can be unaware of their responsibility for Poland's present plight.

To create the conditions for successful economic development in Poland will take some years. To reap the fruits will take longer still. The new Government is doomed to be bold, but it will need generous help if it is to succeed. Poland's entire debt is, however, only $39 bn and its gross national product less than $80bn. Against this, the combined GNP of the members of the western alliance is now some $9 trillion. It is not a matter of not being able to afford to help. It is a matter of not being able to afford not to.

Stefan Wagstyl and Robert Thomson on concentration in Japanese finance

Big is best and bigger better still

The merger of Mitsui Bank and Taiyo Kobe to create the world's second largest bank, announced on Tuesday, is evidence that big is beautiful in Japanese finance, and that the country's already elephantine institutions are determined to become still bigger.

That the creation of Mitsui Taiyo Kobe bank could be the first of a flurry of large denomination deals was borne out by a comment yesterday from Mr Teruyoshi Yasufuku, vice-president of the Sanwa Bank, which woke on Tuesday morning to find itself about to be relegated from fifth to sixth on the world banking ladder: "Japanese banking is a battleground, and the shooting has just started."

Even more than in London or New York, power in Tokyo is being concentrated in the hands of an increasingly small group of giant financial services companies. In Tokyo, more than elsewhere, these are mostly the same companies whichhave dominated the market for 10 or even 20 years.

The top five life assurance companies have the same ranks as 10 years ago. Nomura has been the leading stockbroker since a stockmarket crisis in 1965. Among the top 12 commercial banks, the only changes in asset rankings between 1975 and 1989 have been the aggressive Sumitomo's rise from third place to second, and Kyowa Bank's rise from 11th position to 10th. In contrast, nine of the top 10 US banks have changed places in the same period, and two have dropped out of the top 10.

There is every sign Japan's big financial institutions will continue tightening their grip in future, increasing their influence over world markets at a time when Japan is the prime source of the world's capital. Until this week, the top five banks, Dai-Ichi Kangyo, Sumitomo, Fuji, Mitsubishi and Sanwa, were leaving the rest of the field far behind. And among securities companies, Nomura, the largest, continues to out-distance rivals in the second division.

There is every sign Japan's big financial institutions will continue tightening their grip in future

For those lagging, as were the middle-ranking Taiyo Kobe and Mitsui banks, the time has come to respond. Mr Yasufuku of Sanwa believes that the changes in banking climate will produce more changes in Japanese bank rankings, and hinted that his bank will not necessarily be content with sixth place on the ladder.

Large Japanese financial groups have been the main beneficiaries of the three great currents reshaping Tokyo – deregulation, internationalisation, and rapid growth.

In Japan as elsewhere, that growth has partly come through the practice known as securitisation, the transformation of loans into tradeable securities. As in other international financial centres, the large institutions have been best-placed to exploit this trend, which requires big commitments of capital.

In New York, a more fluid market provides rewards for a show of creativity, as in the junk bond market, and has allowed the rise of influential boutique firms. Meanwhile, London has been made more dynamic by the arrival and success of foreign securities companies. But in Tokyo, new entrants, foreigners included, have barely made an impression on the market for financial services.

Individual foreign competitors in Japan have been doing nicely in their own way – Salomon Brothers and Morgan Stanley in securities, for example, Morgan Guaranty and Deutsche Bank in banking, and Bankers Trust in trust banking. In a few specialised markets, such as computer-driven securities trading and foreign exchange options, foreigners as a group have influence. But in summing up the overall impact of foreign arrivals, Mr Hideo Sakamaki, deputy president of Nomura, said: "We hardly notice them."

Foreign banks' share of total profits in Japan has fallen from 3 per cent in 1979 to less than 1 per cent. Mr John Wadsworth, president of the Tokyo affiliate of Morgan Stanley, the US investment bank, says that like New York, Tokyo is an "extraordinarily domestic market."

That domestic market is at the heart of the Mitsui and Taiyo Kobe merger, scheduled for next April. The new bank will have the largest branch network in Japan, and, importantly, by far the largest number of branches in greater Tokyo, which accounts for about 52 per cent of all banking business.

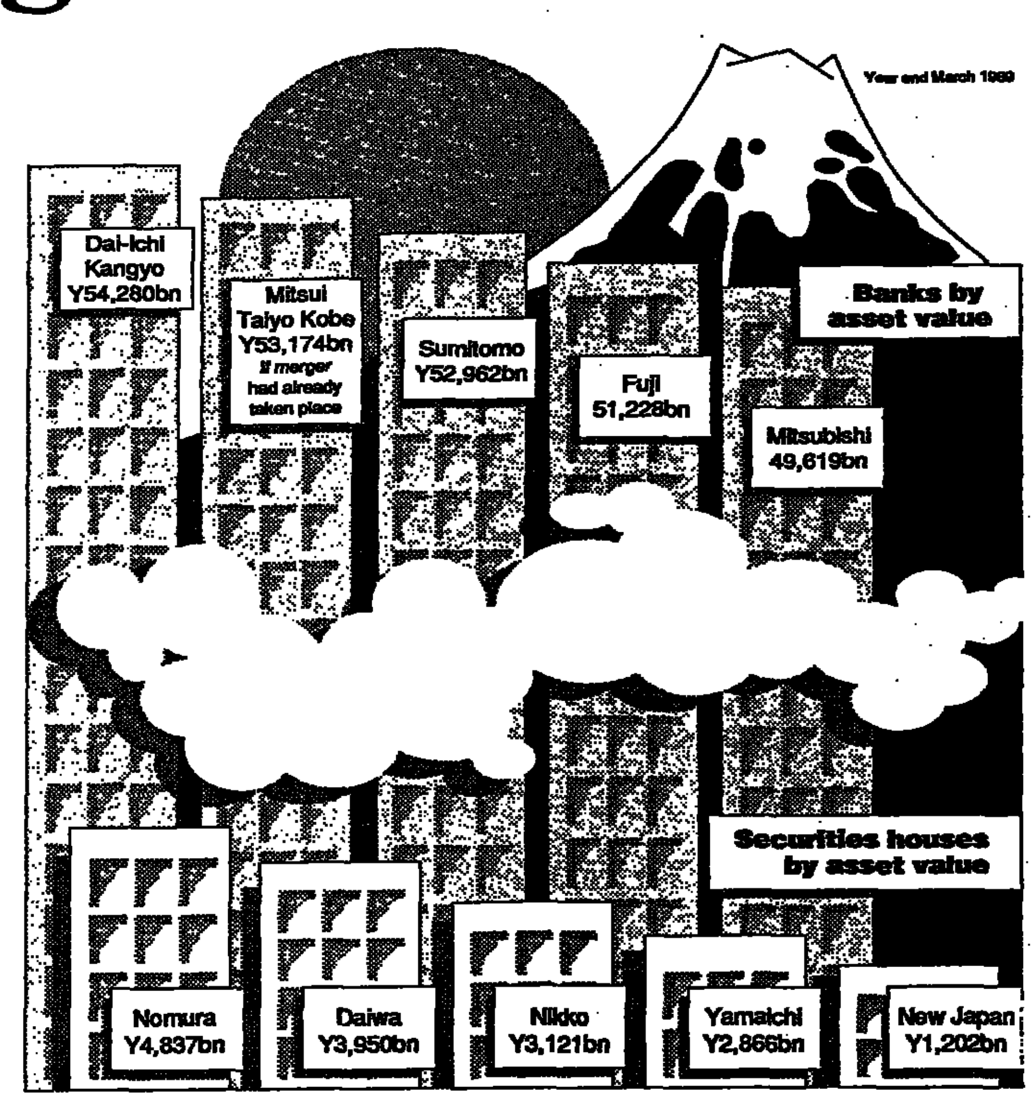
Tokyo's share of total banking business is rising, just one of a number of changes in markets, attitudes and habits that are changing the Japanese financial services industry. Ordinary Japanese people, particularly the young, are more willing to borrow. And, with larger companies turning to the securities markets to borrow, increasingly the profits come elsewhere. As Mr Yasufuku explains, "consumer loans and business with small and medium sized companies are really very lucrative."

Despite these shifts in the market, there is little sign of new young Japanese financial companies, let alone the freshly-arrived foreigners, threatening the established powers. Home-grown newcomers are not entirely absent – for example, Orix, the largest leasing company, established in 1964, made Y19bn in pre-tax profit in the year to September 1988. This year it has invested $200m in a US leasing company. But in no sense has Orix joined the establishment – its main claim to fame is its baseball team, the Orix Braves.

The surfacing of a few home-grown financial companies has been overshadowed by the relative decline of middle-sized institutions, such as Taiyo Kobe and Mitsui banks. In 1970, regional and mutual banks accounted for 33 per cent of the financial services industry. By 1987, the figure had fallen to 14 per cent.

Japan's Ministry of Finance has actively encouraged bigger banks to take over the small, and also believes that the country does not need 220 separate securities firms. The ministry welcomed the Mitsui/Taiyo Kobe merger announcement; the minister, Mr Ryutaro Hashimoto, suggested that the two banks had taken a "broad perspective" on the changes taking place in the financial sector.

Small financial companies see the ministry as favouring big groups – for example, in handling applications for entering new fields of business. This is just one of the ways in which the hierarchical nature of Japanese society counts against newcomers. Job-seekers gravitate towards the largest companies, as do clients.



Change in the financial sector thus often comes from the big bruising the big. Competition among the giants is intense, particularly in new markets created during the 1980s, such as commercial paper and financial futures. Banks, traditional masters of Japanese finance, have in the past two decades been unable to stop the rise of securities companies. They have flourished in a protected market; their share of operating profits in the financial services industry has risen from 6 per cent in 1970 to 25 per cent 1987. After deregulation, the larger banks and securities houses will be fighting over the same spoils.

The deregulation process has been managed by the Finance Ministry in a way that has minimised damaged to the vested interests of the establishment. The opening of Japanese financial markets has had little to do with free market theory, and more to do with squaring the competing claims of different interest groups.

The deregulation of interest rates has been carried out, for instance, in a way which has suited the largest institutions. The ministry has lifted controls gradually, starting with the largest deposits and working down to the retail level with the liberalisation in June of rates on money market certificates of Y3m and more.

But the ministry lost its biggest political battle: the Ministry of Posts and Telecommunications successfully resisted the abolition of artificial advantages enjoyed by post office savings accounts, which cover about one third of total personal savings. This was a significant victory for vested interests over reformist principles.

Deregulating interest rates has been comparatively straightforward compared with the new phase of liberalisation which the ministry began to tackle in earnest this year – the reform of the barriers which separate different kinds of financial company. This is particularly delicate because it forces the ministry to tread a careful path between its two most powerful constituencies: the banks, which have the goal of access to the lucrative securities market; and the stockbrokers, determined to defend their territory.

Officials have been able to postpone a decision on this issue by granting banks concessions on entering securities markets overseas. The result has been to drive Japanese borrowers and lenders abroad, and has culminated in IBJ International, a subsidiary of the Industrial Bank of Japan, trading Japanese securities in London.

However, in order to satisfy the banks and eventually to bring some of the lost business back to Tokyo, the ministry has now been more actively pursuing reform. A proposal launched in the spring would allow securities companies and banks to establish investment banking subsidiaries able to act in a range of fields, including corporate underwriting, one of the banks' main targets. Securities companies do not like the proposal, even though the bureaucrats have promised to keep banks out of the retail broking business. There is no suggestion that other large institutions such as life insurance companies – let alone small boutiques – will be allowed into the potentially lucrative wholesale banking preserve the ministry is creating.

Voices outside the areas of vested interest have questioned the basic principle of allowing giant companies to dominate finance. Japan's Fair Trade Commission has said that it will investigate the monopoly implications of the Mitsui Taiyo Kobe bank, but given that the finance minister approves of the merger, a finding against the proposal is highly unlikely.

Giant financial institutions do enjoy economies of scale, as Mitsui and Taiyo Kobe executives have stressed, and their sheer size makes them formidable competitors on the international market, even if some restraint has been exercised and money lost in foreign ventures thus far. But the question of competition remains.

The Big Four brokers – Nomura, Daiwa, Nikko and Yamaichi – control 40 per cent of Tokyo Stock Exchange turnover, and the figure is 60 per cent if related companies are included. In banking, there is a remarkable uniformity in fees and services, and the 12 leading commercial banks run a joint computer network linking their branches which is virtually closed to outsiders.

Finance Ministry officials say that they intend to make the banks more competitive and more responsive to consumer needs, hence the process of deregulation. And the most influential banks argue that recent changes in the industry, including the record number of branch openings this year and the rise of the Mitsui Taiyo Kobe bank, are proof that there is more competition – albeit among fewer, bigger banks.

Not everyone agrees. Mr Haruaki Deguchi, chairman of the life insurance association of Japan, says wistfully: "We need more competition, more creativity and more diversity . . . but Japan is such a homogenous country. In England pirates are sometimes legalised and become privateers. In Japan they are always pirates."

OBSERVER

Par for the course

■ Ransomes, the venerable farm machinery company from Ipswich, is celebrating its 200th birthday by taking up golf. Its $150m acquisition of the US Cushman Group completes a radical change for a company which was founded in 1789 to make cast iron farming equipment.

Known as Ransomes Sims & Jefferies until it restructured earlier this year, the company has been gradually severing its ties with agriculture. But if farming is in decline, golf is on the way up; and Cushman's main customers are golf courses worldwide.

According to Ransomes' chief executive Bob Dodsworth, golf courses are marching inexorably across the world. There are around 20,000 in existence at present. In the next five years, there should be 2,000 more. Sweden is building 50, while Belgium, West Germany and France are all setting aside swathes of land for new courses.

Thus, Ransomes is entering a world of aerators, harvesters, rakers, sodcutters, overseeders, mowers and all manner of grass maintenance equipment. The group's founder Robert Ransome, who built the first Ransomes foundry for the benefit of the East Anglian farming community, is doubtless turning in his grave. But at least his company is now equipped to trim the turf.

Classic deals

■ One of the curious aspects of the stock market is the way it gets gripped by highly specific rumours. X is to bid £643m for Y, and the bid is coming tomorrow at 8.35 am. And then nothing happens. Often, this can be put down to enemy action: traders who reckon a stock is ready to run, and devise a plausible tale to get it moving. But there is another reason: Sod's Law, or the natural tendency of deals to fall through at the last minute.

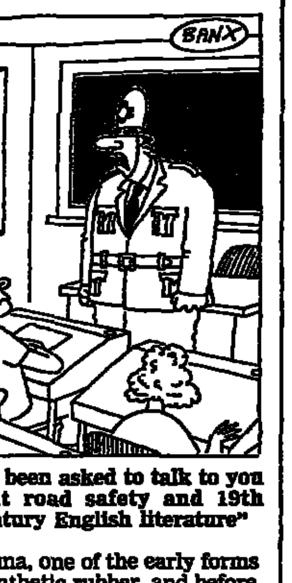
One of Britain's biggest packaging manufacturers hit a snag last spring buying a business in Belgium. The seller had built the business up from scratch, and loved it passionately. When the moment arrived, he could not bring himself to sell it, and walked around the building for some time weeping noisily. When the British negotiator had calmed him sufficiently to sign, he found his shirt so wet with the vendor's tears that he had to change it.

Another British household name almost missed having a near-£200m rights issue a year ago. The issue was conditional upon an acquisition being agreed in New York. At 7 am the firm's London brokers were at their desks, primed to hit the phones and get the underwriting away. Over in New York it was 2 am, and tempers were rising. The seller had not signed, not through reluctance but incapacity. Worn out by emotion and the lateness of the hour, he had suffered a fit of amnesia and forgotten his name.

Bouncing back

■ The Germans have landed at Wallsend, renewing an acquaintance which ended abruptly some 50 years ago for reasons which cannot have escaped anyone's attention this week. In buying Angus Fluid Seals from BTR, Freudenberg, a West German family-controlled giant in the world of automotive components, is taking control of a business it helped to found in the mid-1930s.

Both the Freudenberg and Angus families had got their start in making leather seals for engines. The Germans then took the technological leap



"I've been asked to talk to you about road safety and 19th Century English literature"

to Buna, one of the early forms of synthetic rubber, and before the war sent engineers to north-east England to train Angus's chemists to use to new material.

The transfer of technology was timely, putting Angus in a commanding position to supply aero-engine manufacturers and other industries during the war years.

City escaper

■ Another defection from the world of investment analysis: Peter Woods, Warburg's man in pharmaceuticals, is off to become head PR at Fisons. This seems a reasonable move; a man who can talk investors into buying drug stocks can sell anything to anyone. Then again, one might ask what a sensible company like Fisons is doing matching analyst-style salaries, but that is another matter.

This is not Woods's first trip into industry. By training, he is a mere GP, whereas most drug analysts these days seem to be qualified neurosurgeons at least. But until 1985, he was a divisional medical director with one of the most stolidly successful of all the healthcare companies, Smith & Nephew.

As a result, he is qualified for the other part of his new job, which will consist of acting as interpreter between Fisons' pharmaceutical division and the head office. He claims to have had a good time in the City, but is plainly aware of one of the unpublished drawbacks about the job – its sheer repetitive boredom. "I thoroughly enjoyed doing the analysis. But three or four years down the road, analysis is always the same".

Music man

■ The much-coveted job of director of the Salzburg festival, left vacant by the death of Herbert von Karajan, has been filled. The new man is Gerard Mortier, the director of Brussels' Theatre de la Monnaie.

The idea of Belgium sending a cultural supremo to Mozart's home town might seem a curious one. The country has produced the odd good composer – César Franck came from Liège – but it is not normally thought of as the land of song.

But during his eight years in his present job - which he will not leave until the end of 1991 - the 45 year old Mortier has built up a big following. Thanks to him, Brussels' national opera house is now firmly established as one of the best in Europe.

It would be surprising if Mortier does not come up with something appropriate to mark the dawn of the much anticipated new age. Perhaps he could take with him the opera Piêr li Houïen (Peter the Miner) by another Belgian composer, Eugène Ysaÿe. The work has been strangely neglected of late, perhaps because it is in the Walloon dialect.

Tony Jackson

ECONOMIC VIEWPOINT

The search for agathotopia

By Samuel Brittan

Agathotopia differs from Utopia in not being a perfect place, but merely a good place, with institutions designed to bring out the best in imperfect people. It is described by the Nobel prize-winning economist Prof. James Meade in the latest of his attempts to combine the virtues of capitalism with those of socialism.*

For his imaginary Agathotopia he has devised institutions which "rely very largely on self-centred enterprising behaviour in a free competitive market but which, at the same time, put great stress upon co-operation between individuals in producing the best possible outcome and upon a compassionate attitude towards those who would otherwise lose out."

Even sympathisers may ask whether there is not some tension between the altruistic attitudes required to put in place his desired institutions and the fine maximising calculations of less or more which govern individual behaviour in his economic analysis. But the argument is still worth following.

Meade envisages a society in which the representative citizen has four sources of income:

(1) a return on some capital wealth spread over a variety of enterprises;

(2) a normal wage or salary;

(3) another part of remuneration from employment which fluctuates in relation to enterprise prosperity; and

(4) a tax free social dividend.

This combination of income sources is surely more attractive than pure dependence on wages and would surely be a feature of any enterprise society worth its name.

On the capital ownership side, Meade has two main ideas for diffusion. One is the exemption of all net savings, or at least the net savings of the poor, from tax. The other is the introduction of a genuine inheritance tax levied, not on the estate of the deceased but on the inheritors of large holdings of wealth combined with a tax on gifts inter vivos.

As far as pay is concerned, Meade – like many other economists – is worried that pay is now set at too high a level to be compatible with full employment. This is due to a mixture of union collective bargaining and employer preference for a quiet life. The result is fine for securely employed insiders, but less good for unemployed outsiders who are priced out of jobs.

Meade does not believe that most of the existing varieties of worker-owned firm would remove this insider-outsider conflict. On the contrary, they would have a tendency to employ fewer workers than a normal capitalist enterprise in order to maximise the gains of existing partners. Other drawbacks might include inadequate capital investment.

The author has therefore invented an ingenious new form of Labour-Capital Partnership, which he believes would not have these disadvantages. The essential feature is that new workers acquire a smaller stake than existing ones.

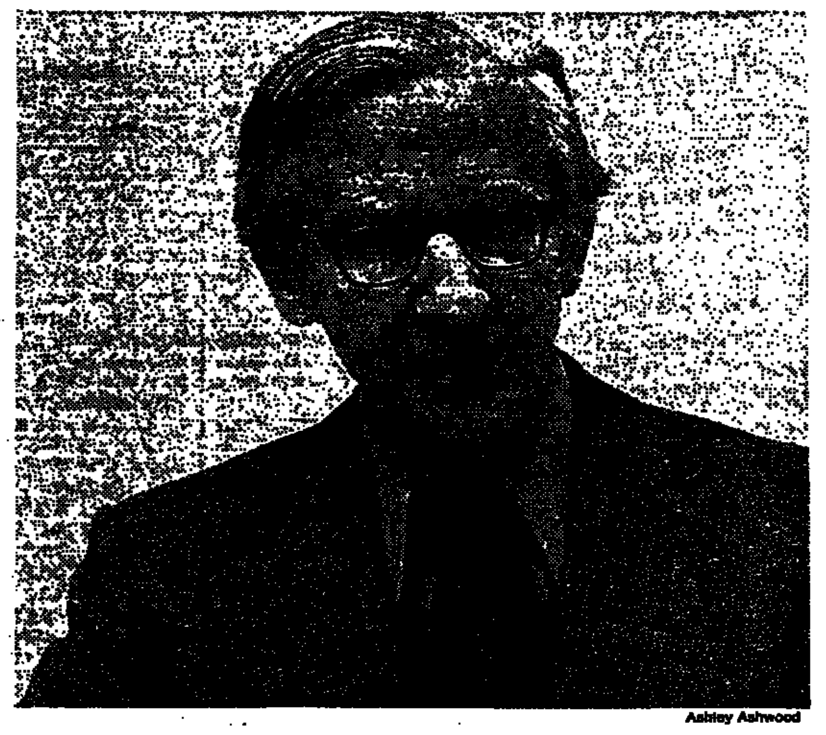
"A high level of employment is achieved not through the variability of the pay of existing workers, but through the principle of discrimination, which gives an incentive to existing partners to mop up any pockets of involuntarily unemployed persons at rates of remuneration which are attractive to the unemployed (the outsiders) but which do not threaten the incomes of existing worker or capitalist partners (the insiders)."

It is a pity that Meade's avowed distaste for the Conservative form of the enterprise society discourages him from taking the changes of the last decade at least as a starting point, and trying to humanise the result. For the UK has seen an attack on union-inspired rigidities, even though the ground gained is always under threat. There have also been new and small enterprises to absorb some of those displaced from the larger groups with their "high wage, small labour force" mentality; and there have been some experiments in two-tier pay scales for new and established workers. Moreover, despite the low take-up of officially designated Profit-Related Pay schemes, it is possible that earnings are already much more closely related to profits in various informal ways than previously. If so, the forthcoming profit squeeze would lead to a lower level of earnings than might be expected from the settlement figures.

Much present-day unemployment – which coincides with widespread labour shortages – results neither from deficient demand nor from collective bargaining, but from other factors. One factor is the housing and land market, which means that many unemployed workers cannot afford to move to where the jobs are. Another is that for a number of workers with low skills or the wrong skills, the market rate of pay may be near to or even below the social security minimum.

For just this reason, the Social Dividends payments are now the most interesting, although also the most controversial, of the Meade proposals. These would be adequate to provide a minimum income for everyone, based only on age and family status, but otherwise be unconditional.

There are many advantages. There would, for the first time, be a floor for everyone, not dependent on complicated contribution records or intrusive scrutiny of personal means. The present disincentives to accepting low-paid jobs arising from the withdrawal of conditional benefits, as income rises, would go. The risks involved in accepting jobs with fluctuating or profit-related pay would be reduced.



Ashley Ashwood

Prof. James Meade, who has published new views on the social dividend

Meade shows how the social dividend could be reached in gradual stages. He also demonstrates that there would still be advantages, even if it remained in compromise form. That is, if it were inadequate to provide an acceptable social minimum and still had to be topped up with some conditional benefits, or if there were, over a range of income, an effective withdrawal rate greater than the basic rate of income tax.

Part of the revenue for a social dividend would come from the phasing out of present conditional benefits for the unemployed, the sick, the old, and so on. Moreover, the scheme would be less expensive if the unit of payment were the household, as it is for most existing social security and tax arrangements, and not the individual, as envisaged by Meade and most other proponents of social dividends.

The scheme is, however, still bound to be expensive. Although some revenue will be raised by more people taking low-paid jobs, there would be others who would drop out of the full-time labour force altogether. This they would be able to do with a basic income guarantee.

Meade's most innovative suggestion for raising the revenue so that a social dividend scheme could be gradually phased in, will strike some people as a dangerous wheeze. But it connects very closely with the over-funding debate, and with those whose main interests are in current financial policy, rather than in Agathotopian schemes.

The idea is that, instead of aiming for a balanced budget, the Government should maintain and even enhance the present surplus. Not only will the National Debt eventually be extinguished, but a National Asset will be established. The state will first save interest on the Debt and will eventually receive income from the Asset.

This recommendation does not create resources out of thin air. The social dividend still has a cost in the shape of tax cuts forgone. The extra tax burden is at root a very gradual and non-disruptive capital levy designed to provide an endowment for those who would otherwise have little or no capital.

Nevertheless, a cost which is merely that of staying with the present basic rate is easier to bear than one involving an early and large increase in that rate. The Meade route is only feasible, however, if the present Government's curbs on the growth of public spending are strictly maintained, against all the pressures from the spending lobbies – an objective which would not appeal to all the natural supporters of the Social Dividend.

The more dubious feature of Meade's financing mechanism lies in what he proposes to do with the public sector surpluses once the National Debt has been repaid.

Meade proposes that the state should eventually acquire a 50-per-cent stake in the real assets of the community. It would not attempt a managerial function but would put its stake in investment trusts and similar institutions, where its funds would be merged with private funds in search of the highest yield. In contrast to post-war nationalisation, the Meade form – which he himself calls "topsy turvy" – would be to take over the yield on state-owned equity, but leave management in private, competitive hands.

At this point, however, credibility snaps and political economy has to take over from economic arithmetic. For it is not credible that a government of any political persuasion could own 50 per cent of the nation's business capital and then observe a self-denying ordinance not to meddle. It is no service to Meade's wider vision to be diplomatic on this point.

One alternative might be for the Government to invest its surplus overseas so that the official British stake would be too small to be decisive anywhere. Here, too, there would have to be a self-denying ordinance not to try to purchase political or economic influence by carefully chosen placements. The experience of the Kuwait Investment Office has shown how difficult it is to avoid international complications, even when there is a genuine desire to treat the funds purely as investments.

The only safe procedure I can think of would be to hand the beneficial ownership of the assets purchased from a continuing Budget surplus in bundles to individual citizens on a pro rata or other very simple basis. If it were to provide part of the basis of a social dividend, there would have to be restrictions on subsequent realisation – a regrettable price that might have to be paid. But there would be positive advantages in a minimum income for all that was seen to be derived even partly from a stake in the nation's capital by all citizens, and not a handout from the social security system.

**Agathotopia: The Economics of Partnership; Hume Paper No. 16, Aberdeen University Press.*

BOOK REVIEW

Flimsy welfare chain letter

The common view of chain letters is that they are an unsavoury means of extorting money from people using an implausible promise of future wealth. The common view of welfare states is that they are a civilised way of redistributing money between the wealthy and the needy to give everyone a decent living standard. This book suggests the two are more similar than we realise.

The analogy is not new. A short-lived academic debate broke out in the late-1950s over whether the new welfare states could last. It was argued that the initiators might simply benefit at the expense of gullible later generations like the original sender of a chain letter. Further along the chain, another generation was bound to default.

So far, the chain has held, more or less. The promises have become more modest in the past 20 years. Family benefit has fallen in real value, public investment in housing has dropped. Only old-age pensions and public health services used increasingly by old people have remained relatively untouched by governments worried by the welfare state's growing cost.

There has been strong resistance to limitation of old-age welfare entitlements. As Mr Nigel Lawson discovered last year when he raised the possibility of means-testing pensions, the British electorate is among those unwilling yet to countenance such a change.

Yet demographic trends suggest that such resistance will not last for ever. In the first three decades of the next century, many industrialised countries will face a rise in the proportion of pensioners to workers. In West Germany, the ratio could reach one to one by 2030. Those now between the ages of 25 and 40 may lose out as the future young have second thoughts.

One contributor to this illuminating collection of essays about the future of welfare states under the pressures of demographic change distinguishes between the morally and actuarially fair. Post-war hopes of eliminating mass poverty, in an era of rapid economic growth, meant pensions benefits were raised above the actuarial contribution of the working population.

Workers versus Pensioners
Edited by Paul Johnson, Christoph Conrad and David Thomson
Manchester University Press £22.50

The generation that is now retiring thus awarded itself both past welfare benefits for which it paid, and generous pensions subsidised by its sons and daughters. Benefits for young people have since been cut, and a second generation has learned that the welfare state "does not deliver . . . and certainly has no intention of giving them what older citizens once enjoyed."

So says David Thomson, of Massey University, New Zealand. Yet it is arguable that the outcry at Mr Lawson's remarks shows that the young have not yet learned any such thing. The assumption that most people accept that welfare states are about transferring wealth between generations rather than between rich and poor is dubious, in Britain, at least.

In the US, however, it is already recognised that the "welfare generation" has benefited to the extent that there is now more poverty among the young than the old. The "baby boom" generation has also realised that demography will work against it receiving comparable benefits – because smaller future generations may not foot the bill. The emergence of the young people's pressure group Americans for Generational Equity suggests that the skew of benefits towards the "welfare generation" may eventually undermine the moral credibility of welfare states. They will come under pressure anyway as the population of working age falls. If early retirement continues to grow, the financial burden on workers could be too heavy. If these tensions are not resolved before the next century, the baby boomers who made an art-form of inter-generational conflict in their youth will depend on their children to maintain a welfare tradition that is already under strain. An old age pension? That's square, Daddy-oh.

John Gapper

LETTERS

Leverage puts equity at risk

From Mr Ian Pulford.

Sir, James Buchan's explanation (August 25) about why leveraged buyouts are so called is incomplete and misleading.

The real levering occurs to the risk of the shareholders' equity. While it is true that shareholders' return can be levered up, this is really only the case in buoyant years of high profits.

In years when profits are low or non-existent, a highly geared company's first-call commitment to pay the interest on its debt reduces the likelihood of shareholders being paid a dividend. Current rates of interest merely add to the problems.

The effect of debt on risk is probably best explained by reference to the capital asset pricing model (CAPM). According to the CAPM, the risk on the total assets of a company is the same regardless of how it is financed.

In the case of a company financed purely by equity, the risk on the equity is the same as that of the underlying assets. The introduction of debt, which is relatively riskless, increases (leverages) the risk of the equity in proportion to the amount of debt, as the total asset-based risk is focused on a narrowing equity base.

So shareholders should be aware of the effect of increased debt, and demand a higher rate of return to compensate them for their increased risk. If such demand remains unmet, it seems likely that the term "leverage" may come to be applied to managements removed (levered) from their firms as shareholders express their dissatisfaction.

The task for managers is to develop business strategies which, while able to take advantage of buoyant economic conditions, do not expose their shareholders investment to avoidable risk in bad times.

Ian Pulford,
CDP Nexus,
110 Euston Road, NW1

Private thought goes public

From Mr A.P.H. Herd.

Sir, Any thoughts about the privatisation of the water industry I have kept to myself – until now. But confirmation that the water authorities in England and Wales spent £21.8m this year, advertising their privileged position as monopoly supplier, proves that ideology does not come cheaply.

This expenditure also raises serious questions about the UK Government's commitment to tight financial controls and the early reduction of inflation.

A.P.H. Herd,
2a Strathmore Street,
Broughty Ferry, Dundee,
Scotland

'Money and credit are separate and should not be confused'

From Mr Peter Spencer.

Sir, I am reluctant to take issue with Tim Congdon and Giorgio Radaelli, given the risk that technical discussion may cloud the common ground between us. But their criticisms (Letters, August 22) of the Divisia monetary indicator proposed in the article by Alec Chrystal, Roy Batchelor and myself (August 16) are completely misplaced.

Their first objection, that aggregation loses information, obviously applies to all monetary aggregates, including the official M5 measure which they currently favour.

Of course no single economic aggregate can ever summarise all of the information contained in its constituent parts. There can be no complete substitute for a painstaking analysis of the components, which we set out alongside the Divisia and official aggregates in our regular briefing note. But – fortunately for macroeconomists – index number theory can be used to design summary statistics which minimise information loss.

In the case of a quantity index such as personal consumption, for example, this theory tells us that it is best to calculate the growth in the aggregate by adding together the growth in the consumption of different items after weighting them by price, because this indicates marginal utility or value to the consumer.

We apply exactly the same theory to monetary growth, weighting each component by its cost of carry, as an indicator of marginal utility or liquidity for the holder. Contrary to the assertions of Mr Congdon and Mr Radaelli, these weights are not subjective.

They are entirely objective: calculated using published rates of return according to well defined formulae. They allow quite naturally for financial innovation, because as some monetary assets come to pay a higher rate of interest and demand for them increases, the cost of carry and hence the weight which the monetary index attaches to this growth automatically falls.

The accusation of arbitrariness is more accurately levelled at the equal-weight method used in constructing the M5 aggregate. Irving Fisher, a pioneer of both monetary and index number theory, concluded his 1922 treatise on the "Making of Index Numbers" by saying that this method (widely used at the time) failed to meet any of the criteria for a sensible aggregate, and that he would rate his book as a success if at least he persuaded statisticians to abandon it. Using that criterion, we should now judge the book a success everywhere except in the financial area.

Finally, I would accept that the relationship between credit and D4 money may not be as close as that between credit and M5. But money (as used for the settlement of transactions) and credit (as used by borrowers to finance their marginal expenditure) are quite separate entities and should not be confused – a message that Mr Congdon himself has preached in the context of overfunding.

The distinction is particularly relevant now; banks and building societies are financing much of the growth in credit by promoting high interest accounts which appeal to savers. This has naturally pushed up the growth of credit and the M5 money indicator relative to transactions-based measures such as D4 and M0. I think it would be a grave error to conclude, as Mr Congdon and Mr Radaelli do, that "the policy implications – in terms of the required reduction in credit growth – are clear in the monetary numbers as they are now published." These show an annual growth rate approaching 20 per cent, accurately reflecting the pace of borrowing but giving a misleading impression of *monetary* conditions, as they have throughout the 1980s.

Peter Spencer,
Shearson Lehman Hutton Securities,
1 Broadgate, EC2

Market decisions

From Mr Terry Arthur.

Sir, Lex (August 23) argues that "if this Government really is committed to letting the market place decide, it should support differential pricing for cash and credit cards."

This poses two questions.

First, why should it support anything if the market place decides otherwise?

Second, should it also support differential pricing in, for example, packets of cornflakes which travel (a) a long way, and (b) a little way – or in any of the thousand and one other areas where the market decides that cross subsidies are worth it for the greater utility or efficiency they provide?

Terry Arthur,
Bacon & Woodrow,
41 Calthorpe Road,
Edgbaston,
Birmingham, West Midlands

Democracy Soviet-style

From Mr Michael Vavrinek.

Sir, I was fascinated by the letter from Mr Vladlen Tishchenko of the Soviet Ministry of Justice ("The Soviet constitution remains in force," August 23). I had no idea such a body existed.

Furthermore, he lectures the Estonians at length on how to create a democracy in their own country. I wonder what words of wisdom he had to offer the Czechoslovaks in 1968 or the Hungarians in 1956, when they, too, sought greater democracy.

Looking to the future, since Mr Tishchenko is such an expert on constitutional matters perhaps he could tell us how many political parties will be fighting the next Soviet elections?

Michael Vavrinek,
7 Courtnell Street, W2

FINANCIAL TIMES
Thursday August 31 1989

Rafsanjani's bridge building to the West

Scheherazade Daneshkhu and Andrew Gowers look at Iran's dire economic position

PRESIDENT Ali Akbar Hashemi Rafsanjani of Iran may have triumphed in the post-Khomeini power struggle but his real problems have only just begun, as his newly installed Cabinet turns its attention to the task of introducing badly needed economic reforms.

A period of stable and more predictable government in Tehran is required if the country is to gain the kind of credibility it needs to entice foreign banks into extending more than short-term credit.

The new 22-man Cabinet is at least technically well-qualified, boasting seven PhDs and nine engineers. But that is not the point: the outgoing Cabinet also had its fair share of technocrats and contained only three clerics; the new one contains four.

The main novelty of this Cabinet lies in the fact that more than half its members are Mr Rafsanjani's own appointments, a deliberate move to stamp his imprimatur on government, while signalling that change is in the air. He has dropped his leading opponent, Hojatoleslam Ali Akbar Mohtashemi, the hard-line former Interior Minister, from a Cabinet he is keen to present as non-partisan and non-ideological.

While insisting that the revolutionary principles set out by the late Ayatollah Khomeini are "ever-present," Mr Rafsanjani has also said that the revolution will chart a new course.

In a remarkably clear statement of intent to play by the rules of international diplomacy, he has said: "We must declare our stances and our message on the world stage and struggle against domination and aggression, within accepted frameworks, according to international norms and without interference in others' internal affairs."

The normalisation of Iran's foreign relations is expected to have a direct bearing on the country's economic fortunes.

The dire state of the economy – featuring rampant inflation, rising unemployment and a severely battered infrastructure – is undoubtedly the Government's main preoccupation. Mr Rafsanjani has signalled that he is keen to do something about it by appointing the respected former central bank governor, Dr Mohsen Nurbakhsh, as Finance Minister.

Dr Nurbakhsh, 41, who has a doctorate in economics and foreign trade from the University of California at Davis, resigned as central bank governor three years ago, officially citing health reasons. But he is known to have opposed the lack of monetary control which has been a persistent feature of the Iranian economy in recent years.

His first priority now, besides trying to boost non-oil exports to combat Iran's chronic trade deficit, is to make a "complete review" of the country's Byzantine four-tier exchange rate system.

There have also been hints that the Government will continue to push for a greater role for the private sector. The new Commerce Minister, Mr Abdolhassan Vahaji, has said he plans to "hand over the unnecessary part of the Government's responsibilities in distribution to other sectors."

Despite such good intentions, economic change will certainly not be easy or quick. In truth, the overvalued rial and low productivity have trapped the Iranian economy in a vicious circle. Foreign exchange controls and unsatisfied demand have caused the rial to decline in value on the free (black) market to an average level of Rs1,000 to the US dollar, compared with an official rate of about Rs70.

Iranian President Rafsanjani addressing parliament in Tehran

To eliminate this huge gap, the Government has two options. It can either feed foreign exchange into the free market, or officially devalue the currency. The former would require large amounts of hard currency. And according to Dr Mehdi Pesaran, an Iranian Professor of Economics at Cambridge University, the latter would run the risk of pushing the free market rate even further down, adding fuel to inflation.

The Government may decide on a partial devaluation, but until it also gains greater access to foreign exchange, the root of the problem – demand for dollars running way in excess of supply – will remain, exacerbating the rial's weakness.

Increasing non-oil exports does not represent more than a tiny part of the answer, at least in the short to medium term. Successive governments in the past 10 years have paid ample lip service to this idea. Since 1982, there has even been a preferential exchange rate for non-oil exports. But they continue to account for only 10 per cent of total exports.

The oil sector will remain the key to the economy for the foreseeable future. But here, too, there is little prospect of a rapid increase in revenues, and some observers predict serious problems even in maintaining the current level of exports. In 1983, an Opec quota of 2.4m b/d (barrels per day) gave Iran export earnings of $20bn.

This year the country will see only $12bn-13bn from its quota of 2.7m b/d. A significant proportion of Iran's oil trade is, in any case, tied up in bilateral barter deals.

Even assuming Iran could negotiate an increase in its production quota, there is some doubt as to its long-term production capacity. Oil company experts say that, although the country has produced up to 3m b/d in the past year, it may be damaging its wells by doing so.

Iran's oil wells are technically difficult and fragile, and it has not been drilling new wells at anything like the rate required to sustain even current *levels of production over* the next few years.

Quite apart from the need to repair war-damaged surface facilities, such as the Kharg Island oil terminal, the state-owned National Iranian Oil Company urgently needs the assistance of foreign drilling contractors to get the oil industry really moving again. Such help as the Soviet Union may have offered as part of its recent agreement with Iran may not be enough, so the Iranians may find themselves turning to western contractors as well. This, once again, would entail probably hefty outlays of foreign exchange. Prof Pesaran believes that Iran's only real option is foreign borrowing – and this would mean building bridges with the West, especially the US.

"Iran needs to deal with the US, not for political reasons, but from an economic point of view in order to unfreeze the assets, so that the country can become more integrated into the international economic system," he says.

So far Mr Rafsanjani has shown he is well aware of the problems.

But bringing in competent people will not be enough to revive the economy unless backed up by a wholesale reorganisation of foreign trade, an overhaul of the existing industrial structure and a stable political climate to foster public confidence.

THE LEX COLUMN

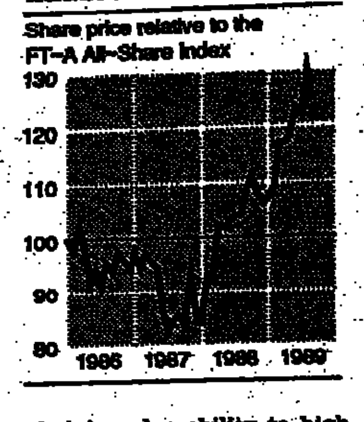
Holding the line for more pay

Consumption, output and investment may be slowing, but one would not guess it from the willingness of companies to grant ever bigger wage awards. BT's generosity yesterday in paying its workers an extra 9 per cent shows pretty clearly that wage pressure is getting worse. Anybody who allowed themselves to be comforted by the fall in the last earnings figures should think again. Earnings only dropped because big wage awards had not yet come through. And with settlements now running at 8.5 per cent and rising, the peak in earnings is likely to be 10 per cent or more.

The problem for the Chancellor is that while high interest rates are at last bringing demand to heel, they are not doing anything for cost push pressures. The link between interest rates and wages is a pretty tenuous one, but until wage claims – and hence inflation – start to fall convincingly, interest rates are going to have to stay high. Unless the economy turns down so sharply that companies seriously start to fear for their profits, it is hard to see where the moderating force is going to come from.

As for BT itself, it can arguably afford the extra £205m on its wages bill – both as its monopoly protects it from the worst competitive pressures, and because its revenues remain surprisingly strong. Moreover, anything resembling a work-to-rule would have been disastrous in terms of its new-found commitment to quality of service. Shareholders need not fear unduly: most of the pressure on BT's profits was of the self-induced variety, and with the MMC off its back and pay round out of the way, the company may have a greater incentive to translate its efforts onto the bottom line.

Ladbroke
Share price relative to the FT-A All-Share Index



Ladbroke

There is a school of thought which says that the great re-rating of Ladbroke is grinding to a halt. For two years, the euphoria following its £645m purchase of Hilton International in 1987 gave the stock the propulsion to outperform the market. But now that Ladbroke has reached a historic p/e ratio of about 16, against 17.5 for the leisure sector as a whole, the gains to come will be much more modest. After all, yesterday's interim pre-tax profits figure of £141m only met expectations. And there are sufficient small worries, such as the Texas Home-Care chain's vulnerability to high interest rates, to undermine enthusiasm in the near-term.

That is one way of looking at Ladbroke, but one suspects it is too conservative and that the group's current multiple is undemanding. Identify as a core feature of the group its ability to draw on the cash-flow from its betting side to fund investments in property, with a self-imposed target of a 20 per cent return on capital, and it looks enviably strong. Given that net borrowings could be about £1bn at the year-end, interest charges are rising – a fair bet is a total of about £35m for the 12 months – but still amply covered by after-tax earnings from racing alone.

There could come a point, say 1992 or 1993, where Hilton has been squeezed for all it is worth. Mr Cyril Stein will then need another big deal to maintain momentum, although one hesitates to share his enthusiasm for US off-track horserace and sport betting. In the meantime, Ladbroke's financial strength gives it plenty of room for manoeuvre.

Groupe Victoire

Confronted by the complexities thrown up by Suez's bid for Industrielle, controller of the Victoire insurance group, it is tempting to throw up one's hands and view the whole thing as just a punch-up between old rivals in Parisian society. That would be wrong. The bid, France's largest to date, may not have much to do with industrial logic, but it does now seem to be breaking important new ground in clarifying the rules of the French takeover game.

Take yesterday's news for Industrielle's chairman, Mr Jean-Marc Vernes. A Parisian judge has extended indefinitely an injunction freezing his ability to vote the 14.9 per cent of Industrielle's shares held by the company's own subsidiaries. The effect is to prevent any resort to *autocontrole*, meaning the circular share-holding structures common in France, to allow him to stop Suez in its tracks. As a result, if Mr Vernes is to escape Suez it looks as though he will need to find a genuine third-party as a white knight to make a counter-bid.

Engineering

The saga of Ransomes and Blackwood Hodge, two famous old names from Britain's industrial hinterland which yesterday reported their interim results, is a cautionary tale for investors in would-be recovery stocks. At the end of the 1970s, both companies were badly managed and heading for serious financial trouble. Ransomes' shares were yielding 13 per cent and Blackwood Hodge, having underestimated the collapse in the worldwide construction boom, eventually had to be bailed out by its bankers. Since then, both firms have been greatly altered for the better, yet Blackwood Hodge's shares have underperformed by 74 per cent while Ransomes' have outperformed by 196 per cent, enabling it to announce yesterday's acquisitions which will nearly double its size.

There is no easy explanation for the differing stock market performances. Blackwood Hodge started off as much the bigger company of the two, and still is. It has the advantages of a famous brand name and the biggest worldwide distribution network of its kind at a time when demand has been increasing. However, a new and well-regarded management team has not been able to remedy its lowly stock market rating and this has meant that it cannot enjoy the luxury, like Ransomes, of improving its lot by making major acquisitions.

Ransomes was fortunate that its management spotted its problems earlier than in the case of Blackwood Hodge. It pulled out of areas where it was weak, such as farm machinery, and concentrated on a core business – commercial grass cutting – where it was a market leader. However, it has also had the added advantage of a substantial property portfolio, the benefits of which should not be underestimated in its recent stock market transformation.

Eleven killed during Indian strike

By K.K.Sharma in New Delhi and David Housego in Bombay

A NATIONWIDE general strike called by Indian opposition parties yesterday sparked violence in which at least 11 people were killed and scores injured as many parts of the country suffered serious disruption.

The strike was part of the opposition's campaign against Mr Rajiv Gandhi, the Prime Minister. Opposition parties have called for his resignation on the grounds that he misled the nation over allegations of corruption linked to the Bofors defence contract.

Nearly all members of the opposition resigned from the Lok Sabha (lower house of Parliament) last month when they failed to force Mr Gandhi's resignation after publication of the Comptroller and Auditor-General's report on Bofors criticising the Government for its handling of the deal.

The latest protest is part of an intensifying political battle between the opposition and the ruling Congress-I party before general elections due by January 14.

Thousands of state employees spent the night in government offices in New Delhi to beat the strike. There were widespread stoppages in Madras, Calcutta and Bombay, where transport services were not working, taxis were off the roads and the offices of most companies closed for the day. However, it appeared that many workers stayed at home for fear of violence rather than in response to the strike call.

There were clashes in most states but the most serious violence, in which deaths were reported, was in the southern state of Kerala and the eastern states of West Bengal and Tripura.

Reports from various States showed that the *bandh*, or work stoppage, was almost totally successful in those ruled by non-Congress parties while the response in Congress-I ruled states was much less.

The Opposition parties are expected to step up their campaign for Mr Gandhi's resignation. Mr George Fernandes, chairman of the national campaign committee, said in Bombay they planned a prolonged nationwide civil disobedience movement, including non-payment of taxes, to be followed by State and local *bandhs* to bring official work to a halt.

The Government took what the opposition parties described as "coercive measures" to force its employees to attend offices yesterday. Anti-strike messages were broadcast and televised repeatedly in the past few days and employees were threatened with disciplinary action if they stayed away from work.

Thousands slept the night in offices, where hasty arrangements for converting rooms into dormitories were made the previous day, in case bus services did not operate. The considerable cost of the arrangements, which included several meals, was met by the Government. This enabled normal work in government offices in New Delhi.

As a result, most cities wore a Sunday look. Many shops and the main business centres remained closed, traffic was thin and people remained in their homes. Attendance at schools and colleges was thin and much of normal activity in many cities was disrupted.

Thousands of Opposition leaders were arrested for trying to persuade people to strike or while trying to stop trains by lying on tracks, in addition to hundreds of "preventive" arrests made the previous day.

W Germans to join UN supervisory police force

By David Goodhart in Bonn

THE West German Cabinet decided yesterday that armed and uniformed Germans should, for the first time since 1945, be allowed to undertake duties outside the territory of the Federal Republic. They will join the United Nations police force supervising forthcoming elections in Namibia.

The decision, taken only two days before the 50th anniversary of the outbreak of the Second World War, is another step beyond the "post-war period" in Germany and towards normalisation of the country's international status.

However, the issue of an out-of-Nato role for German troops remains controversial, particularly in West Germany. It was emphasised yesterday that the participation of 50 members of the Federal Border Police in Namibia does not automatically mean that German soldiers will join UN peacekeeping forces.

When West Germany became a full member of the United Nations in 1973, at the same time as East Germany, there was no UN pressure for West German troops in peacekeeping forces. This was partly because memories of German military aggression were too fresh but also because the UN could not ask West Germany without asking East Germany.

The request to send troops, policemen and observers to supervise elections in Nicaragua and Namibia has triggered a possibly decisive stage in the debate within Germany. If the experience in Namibia is deemed a success it will almost certainly mean police will be sent to Nicaragua – despite the opposition of the police trade union and the Interior Ministry – and will also increase the pressure for full military participation in peace-keeping forces.

The Namibian move will awaken memories, many unhappy, of Germany's colonial past. South-West Africa (Namibia) came under German control when European powers at the Berlin conference of 1884-5 apportioned Africa between them.

From 1904 to 1907 the German administration of the territory ruthlessly suppressed a rebellion by the local Herero people, but control passed to South Africa soon after the start of the First World War.

Whether military participation in peace-keeping forces is allowed by West Germany's constitution is hotly debated by politicians and academics.

The centre-right coalition would be reluctant to support participation without the political backing symbolised by the two-thirds Bundestag majority for a constitution amendment.

Helmsley guilty on tax charges

Continued from Page 1

Service is pursuing a civil case against her to collect back taxes and penalties. A New York State trial on different charges is due to start later this year.

Her 80-year-old husband, Harry, may yet stand trial. He was separated from her trial after the judge found him mentally incompetent. But a final decision on his health is pending.

Offers to buy prime pieces of the $5bn Helmsley real estate empire have flooded in from around the world.

So far, the couple have rejected all approaches for landmarks such as the Empire State Building and six Manhattan luxury hotels. Petty cash should meet the fines, the city's cynics are suggesting.

Cholera among Vietnamese boat people confirmed in Hong Kong

By Michael Marray in Hong Kong

THREE cases of cholera were diagnosed yesterday among the 4,500 Vietnamese boat people living on Hong Kong's Soko Islands, two weeks after a United Nations report warned that sanitary conditions on the islands presented dangers of outbreaks of disease.

Two women and a four-year-old boy were diagnosed as having cholera and are being treated in hospital, while a fourth suspected case, a teenage boy, is under observation.

Dr W. K. Lo, the Hong Kong Government's principal medical and health officer, said that medical teams had gone to the Soko Islands to carry out health checks and issue drugs to the boat people.

Mr Chris Bale, director of Oxfam in Hong Kong, said that the shortage of drinking water and inadequate food on the Soko Islands made the boat people, already weak after their journey by sea to Hong Kong, very prone to disease.

"One can't possibly be surprised by it – hygiene and sanitary conditions were dreadful right from the start," Mr Bale said.

There were no toilets at all until last week and no fresh water for washing.

"The bottom line of the place is that it is a logistical nightmare to keep people in reasonable conditions of safety and health," he said, arguing that the Government should move to close down the islands as soon as possible.

Tai Ah Chau, a remote and barren island in the Soko group about 20km east of Hong Kong island, was first used to house boat people in June as thousands of new arrivals each week quickly filled up existing camps and temporary tented accommodation in other parts of Hong Kong.

There are now more than 55,000 Vietnamese living in the territory.

The intention was to keep the Vietnamese there for a few days only, but this was soon stretched to several weeks in many cases and conditions quickly deteriorated, with human waste littering the island and people washing in the seawater on the filthy beaches.

The Government responded to the UN report by organising the first shipments of cooked rice to Tai Ah Chau, as well as an inoculation programme. Voluntary agencies Medecins sans Frontières and the Save the Children Fund are also helping improve health care on the island.

Last weekend Tai Ah Chau was the scene of a violent confrontation between about 1,000 boat people and police, who were pelted with rocks.

The police responded with 40 canisters of CS gas, but they eventually withdrew from the island overnight before returning in force on Monday afternoon.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	F	21	70	Malta	F	27	81	Rhodes	S	28	82
Algiers	F	33	91	Edinburgh	R	19	66	Manchester	C	20	68	Rio de J'o	-	-	-
Amsterdam	C	19	66	Faro	F	23	73	Manila	C	33	91	Rome	S	25	77
Athens	S	27	81	Florence	S	25	77	Melbourne	F	14	57	Salzburg	C	13	55
Bahrain	S	36	97	Frankfurt	C	17	63	Mexico City	C	23	73	San Francisco	F	14	57
Bangkok	R	32	90	Funchal	S	25	77	Miami	S	28	82	Seoul	C	24	75
Barcelona	F	29	84	Geneva	S	18	64	Milan	S	23	73	Singapore	F	30	86
Beirut	-	-	-	Gibraltar	S	28	82	Montreal	C	21	70	Stockholm	C	16	61
Belfast	R	13	55	Glasgow	R	16	61	Moscow	C	16	61	Strasbourg	S	20	68
Belgrade	C	14	57	Guernsey	S	18	64	Munich	F	15	59	Sydney	S	15	59
Berlin	S	19	66	Helsinki	S	15	59	Nairobi	F	26	79	Taipei	F	35	95
Biarritz	F	25	77	H. Kong	S	32	90	Naples	S	25	77	Tangier	F	25	77
Bombay	Dr	27	81	Innsbruck	F	16	61	Nassau	C	33	91	Tel Aviv	S	30	86
Bordeaux	S	25	77	Inverness	F	17	63	New Delhi	F	32	90	Tenerife	S	29	84
Brussels	C	19	66	Islamabad	F	32	90	New York	F	24	75	Tokyo	F	29	84
Budapest	C	16	61	Istanbul	F	27	81	Nice	S	25	77	Toronto	F	17	63
B. Aires	F	20	68	Jakarta	R	32	90	Nicosia	S	29	84	Tunis	F	29	84
Cairo	S	32	90	Jersey	S	22	72	Oporto	C	19	66	Valencia	F	29	84
Cape Town	C	15	59	Jo'burg	S	20	68	Oslo	S	17	63	Venice	S	21	70
Caracas	C	27	81	Lima	C	17	63	Paris	S	25	77	Vienna	R	13	55
Casablanca	F	25	77	Lisbon	S	24	75	Peking	S	31	88	Warsaw	C	13	55
Chicago	F	15	59	London	C	21	70	Prague	S	15	59	Washington	S	26	79
Cologne	C	15	59	Los Angeles	F	16	61	Reykjavik	F	12	54	Zurich	S	16	61
Copenhagen	S	18	64	Luxembourg	C	17	63								
Corfu	F	23	73	Madrid	C	26	79								
Dallas	-	-	-	Majorca	F	28	82								
Dublin	R	16	61	Malaga	S	31	88								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Brazil burning total falls

Continued from Page 1

but also by fierce local resistance that parallels the vain efforts of other Latin American governments to halt cocaine production.

In the last few weeks, the agency's heavily armed teams – alerted to fire sites by INPE – have issued fines totalling NCz5m in the critical states of Mato Grosso, Rondonia, Acre and southern Para.

For their pains, IBAMA co-ordinators have repeatedly received death threats and at least one agent has been shot dead within the last 10 days.

"The hostile reaction shows that IBAMA is functioning and has credibility," Mr Jose Roberto, an official, claimed yesterday. "We are getting positive results."

With just five helicopters and only 500 men to patrol an area greater than Western Europe, the agency has only been able to patrol the worst affected areas on the fringes of the forest. Amazonas state, the largest area of virgin forest, remains unmonitored.

FRANKFURT (DM)			
Rises			
Bayer Verein	390.5	+	3.5
Feldmuehle	457	+	21
Lufthansa	203	+	4
Falls			
Daimler	824	−	14
Mannesmann	251	−	6.5
VW	474	−	9.8

NEW YORK ($)			
Rises			
AMR	93 1/8	+	3 1/8
UAL	280 1/2	+	3 1/2
Upjohn	40 7/8	+	2 5/8
Falls			
Du Pont	118 3/8	−	1
Philip Morris	162 3/8	−	3/4
Texas Air	21 3/4	−	1 1/4

New York prices at 12.30.

PARIS (FFr)			
Rises			
Labon	1424	+	94.9
Navigation Mix	1085	+	51.3
Peugeot	509	+	31.3
Roussel	2198	+	136.2
Falls			
Eurot. Bon	5.9	−	0.5
Scoa	72.1	−	1.7

TOKYO (Yen)			
Rises			
Iseki	3690	+	500
Namco	2140	+	190
Skylark	3090	+	270
Taisei Paper	915	+	100
Falls			
Fuji Kyuko	1550	−	130
Iwatsu Elect.	1270	−	100

LONDON (Pence)			
Rises			
ASDA Grp.	205	+	5 1/2
Brit. Aero	597	+	13
Burmah	652	+	7
Candover	355	+	16
Davies Newman	725	+	20
[illegible] Whitley	364	+	8
Lonrho	369	+	6
Midland Bk.	370	+	6
Polly Peck	312	+	5
Racal Elect.	223	+	8
Rolls-Royce	181 1/2	+	5 1/2
Falls			
Acatos Hutch's	220	−	5
Enterprise Oil	579	−	7
Eurotunnel	733	−	37
Miller (Stan)	220	−	20
Norcros	394	−	7
Portland Grp.	93	−	6
Redland	535	−	4
Storehouse	144	−	4
Taverners	170	−	10

Victoire bid battle result in balance

By Our Financial Staff

THE OUTCOME of the FFr24bn ($3.63bn) battle for Compagnie Industrielle, the French holding company, and Groupe Victoire, the insurance company it controls, hung in the balance yesterday after a series of judgments gave encouragement to both sides.

In a long-awaited decision, Judge Philippe Grandjean's Paris commercial court decided to prolong indefinitely a temporary injunction freezing 14.9 per cent of Industrielle's capital held by its own units in a technique known as *autocontrole*.

The move helps Compagnie Financiere de Suez, the French financial group, in its hostile bids for Industrielle and Victoire – the largest in French history – because it prevents Mr Jean-Marc Vernes, Industrielle's chairman, from taking advantage of the voting rights of the shares, according to observers.

Mr Vernes already controls 25.3 per cent of Industrielle's voting rights through another unit, Societe Centrale d'Investissement.

However, later in the day the Paris stock exchanges' board (CBV) granted Industrielle a two-day extension to the deadline for lodging its defensive counter-bid.

The CBV said that Industrielle had until midnight today to announce its defence to Suez' hostile bid. The CBV said it had decided to grant the delay after noting that all the parties involved recognised that only a counter-bid was possible as a defence. Mr Vernes had requested the extension on Monday. Suez had no immediate comment on the delay.

News of the two-day extension on Industrielle's deadline for declaring a defensive counter-bid failed to excite the market.

Mr Vernes appeared to be having trouble finding allies to fund his defence, dealers said.

Shares in Victoire, the final aim of Suez's bid for Industrielle, ended FFr14 down at FFr1,800, still well below the FFr2,000 Suez has said it will offer if successful in obtaining control of Industrielle.

Under French law, a defensive counter-bid must be 5 per cent above the overall valuation of FFr19.5bn which Suez's FFr13,000 per share bid places on Industrielle. The counter-bid can be for less than 100 per cent of Industrielle capital as long as all shareholders are offered the same deal on a proportional basis, regulatory officials note.

Suez is bidding for 100 per cent of Industrielle and if it wins will launch a secondary bid for Victoire, which is 40 per cent owned by Industrielle.

In its evidence to the Paris commercial court, Suez had argued that the 14.9 per cent stake in Industrielle controlled by the holding company's subsidiaries should either be sequestered or evenly divided among shareholders, according to the size of their stakes.

The court said it was unable to reach a decision on whether or not to sequester the shares, saying such a decision would be premature.

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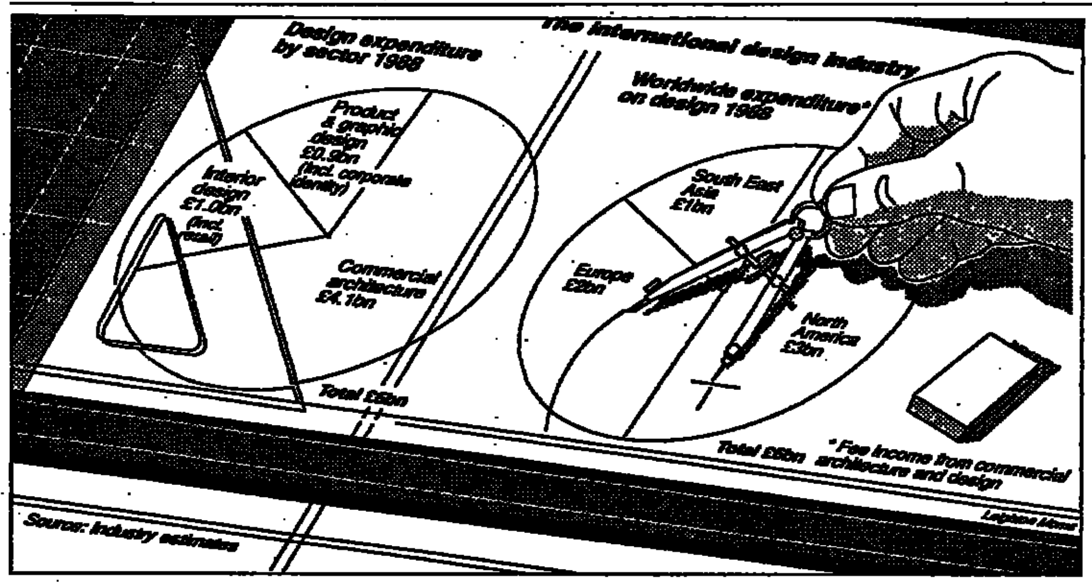

Stresses of the search for a global identity

Alice Rawsthorn looks at the problems facing design consultancies as they try to become worldwide groups

For decades Landor Associates has dominated the international design industry from its traditional base of a ferry boat moored in San Francisco Bay.

But Landor has limped from crisis to crisis in the past year or so. There have been boardroom battles, a stream of staff defections and even a fire on the ferry boat. Officially, Landor is now looking for a fresh injection of capital. Unofficially, it is up for sale.

At first glance, the Landor saga looks like the all-too-familiar story of a company expanding too far, too fast only to fall victim to boardroom bickering. But its problems raise important questions for the future of the design industry: whether there is really a market for design on a global basis and whether design consultancies are capable of operating as international companies.

In recent years the £6bn ($9.6m) design industry – composed of consultancies that provide graphic, architectural, product and packaging design for other companies – has been awash with acquisitions and associations as the US and European groups have scrambled to assemble international networks.

Landor, with 500 employees in 19 countries, is the role model for this new generation of global groups. Until recently it could claim to be the only truly international design company. But its competitors are catching up.

Siegel & Gale, the New York consultancy, sold out to the Saatchi & Saatchi marketing group in 1985 to secure support for its expansion. It has since opened offices in Europe and, despite Saatchi's difficulties, plans to open in Japan and Hong Kong by the end of the year.

The WPP Group, Saatchi's arch-rival, has become the biggest single force in design after a string of acquisitions, including Anspach Grossman Portugal, the corporate identity specialists in New York, and SBG Partners, the San Francisco packaging designers.

Fitch and Michael Peters, the largest of London's publicly quoted design groups, have made acquisitions in the US. Wolff Olins and Minale Tattersfield, the privately-owned London consultancies, have also opened overseas offices.

The rationale for this expansion is that the demand for international design projects has risen rapidly in recent years. The wave of cross-frontier takeovers has created a new breed of multinationals operating across several countries. Similarly, the trend towards more homogeneous consumer tastes has increased the scope for global marketing.

These new multinationals need to deal with design consultancies that can execute design projects in every area in which they operate. Until recently, Landor was the only consultancy capable of offering such a service.

This scenario of increasing demand and insufficient supply has galvanised the design companies into expanding into other countries. At the same time the sight of competitors moving into new international markets – combined with the emergence of cash-rich companies, like Saatchi and WPP – has increased the competitive pressure on other consultancies.

In theory this all sounds sensible. In practice, the industry's international expansion has been plagued by problems. Landor's international network *looks* impressive but the cost of setting up and maintaining it has been high. Landor is burdened by hefty central costs and is said to be losing money in the Far East. It is thought to have broken even on turnover of about $40m last year.

Landor is not the only company with problems. Michael Peters has announced a slowdown in profits growth this year due to a downturn at Hambrecht Terrell, the New York retail design consultancy it bought last year. Addison, which recently staged a management buy-out from its embattled parent company, slipped into a loss in 1988 partly because of problems in the US. WCRS, the UK advertising agency, sold its recently acquired London design company earlier this year.

The chief cause of their difficulties is the industry's immaturity. Mr Martin Sorrell, chief executive of WPP, identifies the small scale and fragmented structure of the industry as the principal problems. Even in the US, the most mature market for design, there are fewer than 100 consultancies with more than 20 employees. Moreover, the ease of entry and proliferation of small businesses means that the level of profitability is relatively low.

The industry's immaturity also makes it difficult for large consultancies to find suitable acquisitions and experienced staff in other countries. Siegel's expansion has taken far longer than expected for this reason.

Similarly, it is easy to underestimate the difficulty of diversifying into new countries. Wolff Olins has not yet generated any new business from the San Francisco office it opened over a year ago. Mr Brian Boylan, group managing director, said the US had been "much tougher" than expected. Other companies cite problems of under-pricing international contracts and even being unable to extract currency from other countries.

There are also very real doubts that design – traditionally the domain of small craft-based companies – is suited to the culture of international companies. Mr Marcello Minale, a partner in Minale Tattersfield, believes that it is "too individual" a discipline to work within big groups.

In short, the new global design groups look suspiciously like companies that have been panicked into investing in international expansion without necessarily having the financial or managerial capacity to do so.

Nevertheless, the acquisitions and associations continue apace. Anspach plans to open an office in Europe. Wolff Olins is considering expansion into France and West Germany. Minale Tattersfield expects to announce a merger with a leading Paris consultancy early next month.

Landor's future is still clouded by uncertainty. The list of potential purchasers includes WPP; Valin Pollen, the UK public relations company; Young & Rubicam, the US advertising agency, and a management buy-out team. The smart money is on Landor being sold for $15m to $20m. But there is still no sign of a firm offer – or of an end to the boardroom bickering.

Polly Peck reshapes management

By John Ridding in London

POLLY PECK International, the agricultural, electronics and textiles group headed by Mr Asil Nadir, yesterday announced a restructuring of its management.

The reorganisation was triggered by the resignation in June of Mr Tony Reading, the group's managing director. He has not been replaced. Instead, his job has been split between the chief executives of the company's four divisions – food, textiles, electronics and leisure.

Polly Peck, which had sales of £967m ($1,518m) and pre-tax profits of £144.1m in the 16 months to December 1988, said the changes were aimed at facilitating the group's continued growth. It added that the basic structure would remain unchanged but that relationships and accountability within it had been clarified and simplified.

The move drew mixed reactions from analysts. "There may not be much change in the running of the group's businesses, but it is important that they clarified the management structure and demonstrated that the existing people are committed to the company," said Mr Dermot Coleman of Barclays de Zoete Wedd.

But another analyst from a leading stockbroking firm questioned whether the reorganisation addressed the basic problems of having Mr Nadir – who, with 25 per cent of Polly Peck's shares, is the main shareholder – playing a bigger role in the daily running of the company.

Reorganisation has been under discussion since Mr Reading's resignation. He had resisted a reduction in his role and the dismissal of a number of managers.

The group's shares rose 5p to 312p.

Blue Circle pays $148m for US aggregates group

By Andrew Taylor, Construction Correspondent, in London

BLUE CIRCLE, which recently raised £250m ($395m) from the sale of its cement and concrete businesses in Mexico, California and Arizona, announced yesterday it had acquired Georgia Marble, a large aggregates company based in Atlanta, Georgia for $148.5m.

Blue Circle, Britain's biggest and the world's third largest cement manufacturer, is currently pursuing a £195.7m bid for Myson Group, the British boiler and radiator maker.

Georgia Marble is the second largest aggregates supplier in the Atlanta area with seven quarries, six of which are within 50 miles of the city centre. It has proven reserves of more than 700m tonnes.

Some of Blue Circle's largest US building materials operations are in Atlanta, one of the fastest growing cities in the US, where it is currently the biggest ready-mix concrete and cement producer. It is also one of the biggest concrete block manufacturers in the city.

The company's other US interests include cement operations in Alabama, New York State and Maryland. US trading profits last year fell from £35.9m to £28.8m, representing a decline in the US share of group profits from 21 per cent in 1987 to 13.5 per cent.

One of the problems for Blue Circle in the US has been a price war between concrete producers in Atlanta, where the RMC Group of Britain is also a large player.

Mr James Loudon, Blue Circle's finance director, said yesterday that concrete prices in Atlanta had recovered during the past six to nine months although sales remained flat.

He said about 30 per cent of Georgia Marble's sales were for ready-mix concrete, compared with about 50 per cent of sales for asphalt and hard core for roads.

The roads programme for Atlanta, particularly to the north of the city, had increased substantially. There were also plans to build a new ring road around the city.

Blue Circle said the purchase would create an integrated aggregates, cement and ready-mix concrete business in Atlanta providing opportunities for cost savings and greater efficiency.

However, the company's share price fell 10p to 239p following the announcement of the purchase and news that Yale and Valor, the securities and home products group, was extending its rival offer for Myson Group. This is currently worth about £8.7m less than Blue Circle's bid.

Blue Circle's interim results are due next week and there is general concern among analysts about the outlook for British building material companies following the collapse of a large part of the UK housing market and concern that other areas of the British construction industry may be peaking.

Worries about the health of the building materials sector as well as some concern over the price paid for Georgia Marble were among the causes for yesterday's decline in Blue Circle's share price.

Pre-tax profits of Georgia Marble in the 12 months to the end of May were $12m before quarry start-up costs. Net assets were $165m.

Myson offer extended, Page 25

Hotels division helps lift Ladbroke

By Ray Bashford in London

LADBROKE Group, the diversified international leisure company, received another strong contribution from its hotels division during the June half-year as pre-tax profits advanced 19.5 per cent.

The UK and international hotel operations became the biggest of the company's four profit-generating centres as the group result rose from £118.2m to £141.2m ($223m).

Turnover reached a record £1.9bn (£1.44bn). Earnings per share firmed to 11.4p (9.06p).

City analysts believe the hotel division, which was vastly expanded through the acquisition in September 1987 of the Hilton chain for £645m, made a pre-tax contribution of £75m.

The annual result from hotels is forecast to be £160m, with £40m coming from domestic operations and the remainder from the international chain.

Mr Cyril Stein, Ladbroke's chairman and managing director, said that the improved performance from the Hilton chain had been achieved through stronger management of hotels' services and amenities.

Betting operated in buoyant conditions during the half. During the last financial year the sector was narrowly ahead of hotels as the main source of profits, but is likely to continue to take second place while hotels maintain their present growth. Turnover from betting rose 17 per cent on a year-on-year basis.

Vernons Pools, which was acquired from Thomson T-Line earlier this year through a contested takeover, made a maiden contribution which is expected to grow rapidly following efforts to streamline the business.

Pre-tax profits from the property division, which comprise mainly office developments in the UK and the US, are expected to return higher profits during the current half.

However, all sections of the division traded profitably and analysts are expecting them to feed into a forecast £40m pre-tax result for the year.

The DIY business, operated through the Texas Homecare chain, traded under tighter conditions as higher interest rates restricted spending.

Ladbroke's gearing stood at 45 per cent at June 30 while the interest charge rose to £30.1m (£14.9m).

The interim dividend is being increased by 20 per cent to 4.14p a share, after adjusting the previous figure for a one-for-one capitalisation issue.

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Rhône-Poulenc earnings surge 50% in first half

By Our Financial Staff

RHONE-POULENC, the big French state-controlled chemical and pharmaceutical group, yesterday reported that its consolidated net profit after payments to minority interests surged 50 per cent in the first half of 1989 to FFr2.49bn ($383m) from FFr1.67bn francs a year earlier.

The company said the advance was based on a 12 per cent revenue increase to FFr37.11bn from FFr33.15bn in the first half of 1988.

Rhône-Poulenc did not elaborate on the reason why profit growth outpaced revenue. But its figures suggested a significant part of the gap reflected a widening of its profit margins, as first-half operating profit was up 29 per cent from a year earlier at FFr4.69bn.

The operating profit figures included a restructuring provision of FFr379m, which was down from the FFr535m the group set aside for the same purpose during the first half of 1988.

For all of 1988, Rhône-Poulenc's consolidated net profit after payments to minority interests was FFr3.46bn on revenue of FFr65.33bn.

Rhône-Poulenc is headed by Mr Jean-René Fourtou, who was reconfirmed for a second three-year term as chairman in June after months of speculation over his future.

■ Compagnie du Midi, the French insurance group, plans to sell a 45 per cent stake in the seed group SA Pour La Culture Des Graines d'Elite L. Clause (Clause) to Lafarge-Coppee and Rhône-Poulenc for an undisclosed amount.

The sale has been expected as a result of Midi's refocusing on the insurance sector. The operation is also timely, as it follows a conditional accord by the French insurer to acquire the US insurer Farmers Group for $4.5bn if Britain's Hoylake Investments can get control of it through its current bid for BAT Industries of the UK.

Midi executives noted, however, that talks to sell part of the Clause stake were under way well before the opportunity to buy Farmers arose. "We would have sold it anyway," one senior official said.

Jean-René Fourtou: reconfirmed as chairman

BIG arranges gold loan for up to $80m

By Kenneth Gooding, Mining Correspondent

BOND INTERNATIONAL Gold, the company which encompasses most of the gold mining interests of embattled Australian entrepreneur Mr Alan Bond, has arranged a gold loan for up to 215,000 troy ounces or US$80m, whichever is the less.

Most of the cash will be used for the long-term financing of BIG's Bullfrog gold mine in Nevada but some will be used for general corporate purposes, BIG said yesterday.

According to N.M.Rothschild, which arranged the loan, it will be repaid by the end of 1993, is on a limited recourse basis secured on the mine itself and the interest rate will be based on, but above, the new Forward Bullion Rates page displayed by Reuters. BIG will receive "above £360 an ounce" for its gold.

BIG celebrated its first anniversary as a New York-quoted public company on July 28 by pouring the first gold bullion at Bullfrog. The cash cost of gold production at the mine is forecast to be $230 an ounce for the year to the end of June, 1990.

Bullfrog so far cost about $112m to build and it is expected to produce more than 200,000 ounces during the first year in operation, rising to 300,000 ounces within three years.

BIG's total gold output in the current financial year is predicted to reach 550,000 ounces. This is a revised estimate following another recent deal for BIG to sell about half its stake (or 11 per cent) in Gold Mines of Kalgoorlie in Western Australia and pass management control to Poseidon, part of Mr Robert Champion de Crespigny's growing business empire.

Gold loans involve commercial banks lending gold they are holding on behalf of central banks or governments to a mining company. The miner sells the gold into the market or applies it to meet forward sales commitments entered into in advance of the loan. Interest rates on such loans are low – the current inter-bank rate is 2 per cent.

BIG's loan, considered to be medium-sized, was underwritten by Rothschild, Bank of Montreal and the Bank of New York

Surprise appointment for Rupert Murdoch

By Raymond Snoddy

MR RUPERT MURDOCH, chief executive of News Corporation, has become a non-executive director of Philip Morris, the world's largest producer of packaged consumer goods.

It is the first time Mr Murdoch, 58, has accepted a directorship of a company outside News Corporation, the publishing and broadcasting group.

"They just asked him," a News executive said last night. It was less clear why Mr Murdoch had decided to accept this invitation when he must have turned down other offers of directorships in the past. The News Corporation chief executive was not available for comment.

The US-based tobacco and packaged goods company is not directly involved in the media. With its brands including Marlboro, Miller Lite and Maxwell House, Philip Morris is a major advertiser.

Mr Murdoch's international media interests range from The Australian to five national newspapers and Sky Television in the UK to TV Guide and New York Magazine.

Milan bourse may open for foreign listings soon

By Alan Friedman in Milan

FOREIGN companies may soon be able to list their shares on the Milan bourse for the first time thanks to a regulation that has been approved by Consob, the Italian stockmarket regulatory agency.

The Consob guidelines, which provide for the handling of non-Italian stocks by Montetitoli, the Italian clearing system, represent the most significant step to date that could pave the way for the quotation of foreign shares.

Consob has over the past 18 months been involved in discussions with the Bank of Italy over which institution has responsibility for foreign share listings. The central bank last month acted to clear the way for such quotations.

It is not known how soon it may be possible for non-Italian companies to list themselves in Milan, but Electrolux, the Swedish home appliance group, is thought to be top of the list among foreign companies wishing to secure a quotation on the Milan bourse.

Pre-tax profits soar by 15% at Henkel

HENKEL, the acquisitive West German detergent and special chemicals concern, increased its group pre-tax profits by 15 per cent in the first six months of 1989, compared with half of the earnings reported for the whole of 1988, AP-DJ reports from Frankfurt.

Henkel said it had pre-tax earnings of DM333m ($172m) in the first half, compared with DM290m, which is half of its 1988 pre-tax income of DM580m. The company did not provide any year-earlier profit figures.

Group sales for the first half of 1989 increased by 12.7 per cent to DM5.8bn from DM5.15bn in the same period of last year.

The company expects the positive trend of the first six months to continue through the second half, producing significantly higher pre-tax profits.

A growth rate of 15 per cent in earnings for the full year, however, would constitute a slowdown from 1988, when Henkel's group net profits jumped by 21 per cent from a year earlier. Henkel's net profit has not risen less than 20 per cent annually since 1983.

Of the first-half sales growth, 8 per cent stemmed from a rise in volume, 4 per cent came from higher prices, and 1 per cent was caused by foreign exchange movement, Henkel said.

Most of the growth came from Henkel's foreign business, partly through new acquisitions. Foreign revenue climbed 17 per cent to DM4.14bn in the first half from DM3.55bn, while domestic turnover gained only 3.7 per cent to DM1.66bn from DM1.6bn.

The chemical product divisions posted the strongest growth among Henkel's major divisions, as sales jumped 24 per cent in the first half.

Henkel acquired the Emery division of Quantum Chemical of the US for $480m in April, taking over a leading producer of oleochemicals in the US.

The German company said it completed the sale of its 50 per cent share in the US-based Aquaion joint venture to its partner, Hercules, in July.

Tighter control of costs boosts Aegon by 22%

By Laura Raun in Amsterdam

AEGON, the Netherlands' second largest insurance company, posted 22 per cent higher earnings in the first half, thanks to favourable exchange rates and effective cost control.

Net income surged to Fl 216.7m ($102m) from Fl 177.5m, including Fl 5.8m po currency gains. Per-share earnings climbed 20 per cent to Fl 5.32 from Fl 4.44. The sales-cost ratio improved significantly in the first six months of 1989, Aegon said yesterday.

In line with its new policy of higher dividends, Aegon raised the interim dividend by 27 per cent to Fl 1.90 a share from Fl 1.50.

Aegon is the last of the three big Dutch insurers to report buoyant first-half profits. Nationale-Nederlanden and Amev also profited from currency movements as well as buoyant growth.

Operating profits in Aegon's Dutch business rose strongly, particularly in collective life and liability insurance. Individual life insurance lagged but the recovery in motor insurance continued.

Revenue grew 17 per cent to Fl 6.28bn from Fl 5.38bn, boosted by higher premium income in life and liability insurance in The Netherlands. Costs of the Dutch operations fell.

Friesch-Groningsche Mortgage Bank, an Aegon subsidiary, contributed higher earnings in the first half.

Among other Dutch company results yesterday, Wolters Kluwer, the big publishing group, said first-half net profits rose 25 per cent to Fl 45m from Fl 36m a year earlier. The company said it expected net earnings per share to rise to around Fl 2.75 in 1989 from Fl 2.37 in 1988. It gave no forecast for 1989 net profits.

Turnover at Wolters Kluwer rose to Fl 849.9m from Fl 880.9m. Costs were Fl 778.7m against Fl 771m, and operating profits increased from Fl 59.2m to Fl 71.2m.

The newspaper publishing group Telegraaf, meanwhile, lifted first-half net profit to Fl 39.9m from Fl 31.6m a year earlier, as turnover rose to Fl 408.4m from Fl 379.5m.

Telegraaf said it expected 1989 profits would exceed 1988's Fl 62.2m but full-year profit growth would fall short of the 26.3 per cent rise posted in the first half of the year.

The forecast slowdown in second-half profit growth stemmed from slower growth in advertising revenue, planned investments in colour printing equipment and a rise in corporate taxes.

Wooltru registers sharp growth

By Jim Jones in Johannesburg

WOOLTRU, the South African fashion, clothing and food retail chain, was little affected by government austerity measures and has reported substantially higher sales and profits for the year to June.

At the half-way stage, the directors had feared austerity would affect second-half sales, but local analysts say consumers have shifted away from durables towards clothing and non-durables.

Austerity measures have been directed largely towards curbing credit sales of big-ticket items with large imported components.

Turnover rose by 26 per cent to R2.1bn ($762m) from the previous year's R1.67bn while the pre-tax profit increased by 47 per cent to R178.5m from R121.7m.

During the year the group acquired the Makro cash-and-carry wholesale company when its Dutch owners divested, but the board has chosen not to disclose Makro's contribution to either sales and profits.

The directors have budgeted for continued real growth in sales this year for the group as a whole.

Earnings were lifted to 269.2 cents a share from 178.9 cents and the year's dividend has been raised to 112 cents a share from 80 cents.

SAS acquires Turkish caterer

By Jim Bodgener in Ankara

SCANDINAVIAN Airlines System has acquired control of USAS, Turkey's airport catering company, in a deal valued at $14.5m.

Under the deal, SAS has purchased 70 per cent of USAS's shares, and 21 per cent of the company's net profits will be paid in future to the Turkish Government's Mass Housing and Public Participation Administration, which is overseeing an ambitious privatisation programme.

The deal is one of the more successful in Turkey's denationalisation programme this year. The Government has been forced to rely on block sales, more often than not to foreign interests, rather than public issues because of the thin market in stocks and shares.

The cost of staging a major issue for the small companies presently coming under the hammer would also be unjustifiable.

However, the sales have been criticised by opposition parties assailing off valuable state assets to foreigners.

Another sale in the aviation sector, that of state charter and cargo airline Bogazici (BHT), fell through earlier in the summer in a welter of controversy over the price offered to a consortium led by Aer Lingus.

Subsequently, BHT was liquidated and its aircraft and other assets transferred to its former parent, state airline Turk Hava Yollari (THY - Turkish Airlines.)

INTERNATIONAL COMPANIES AND FINANCE

Spate of Japanese bank links likely

By Robert Thomson in Tokyo

THE MERGER announced this week between Mitsui Bank and Taiyo Kobe Bank is likely to prompt a spate of similar alliances, bankers in Tokyo believe.

The new Mitsui Taiyo Kobe Bank will be Japan's, and the world's, second largest in terms of assets.

Officials in the industry said yesterday that the need to build larger branch networks to compete with its 591 domestic outlets would encourage the present Big Five – Dai-Ichi Kangyo, Sumitomo, Fuji, Mitsubishi and Sanwa – to acquire smaller banks instead of attempting to open dozens more branches themselves.

According to Mr Teruyoshi Yasufuku, vice president of Sanwa Bank, such deals were inevitable but the Mitsui-Taiyo Kobe merger was likely to speed the process. Emphasising that size counts in Japan, he said the proposal would probably signal the start of the industry's realignment.

Japan now has 12 city banks, five very large, three mid-ranking and four smaller, but after the merger is complete next April, the industry will be more polarised, with six very large, Tokai Bank in the middle, and four relatively small banks.

Mr Yasufuku, who declined to comment on his own bank's possible expansion plans, said the most likely combinations were between a large and small bank, or between a medium and small bank. He said that a merger between two of the larger banks "would be very difficult to organise."

He was surprised by Tuesday's merger announcement, but said the industry was now ready for another similar announcement at any time, and he expected that the generally static Japanese bank standings would become more prone to change.

He stressed that retail banking in Japan was "very lucrative," and that the banks were interested in better tapping that market.

As for the international implications, Mr Yasufuku said that although Japanese banks are big, they posed no great threat to foreign banks on foreign territory: "Japanese investment is minimal compared to that of the British.

"I don't know what the Americans are afraid of when the Japanese buy a small bank. It is a ghost they are afraid of."

Industry interest in the next possible deal has turned to the financially troubled Daiichi Sogo Bank, for which Taiyo Kobe had been leading a field of suitors.

However, the strong Tokyo branch network offered by Daiichi Sogo will not now be needed by Mitsui Taiyo Kobe.

Sanwa Bank is one of four city banks, along with Taiyo Kobe, Fuji and Tokai, with at least a 5 per cent stake in Daiichi Sogo. Mr Yasufuku conceded that the probable retirement of Taiyo Kobe from the field will make the competition easier for his bank.

Lowy reviews TV station stake

By Chris Sherwell in Sydney

PERSISTENTLY poor ratings at Channel Ten, one of Australia's three commercial television networks, along with a strategic shift down market and the axing of staff and programmes is forcing Mr Frank Lowy's Westfield group to review its investment in the network.

A burst of speculation yesterday suggested that Broadcom, an independent production house controlled by executives of the AFP investment group, was considering buying into Northern Star, which owns the Ten network.

Northern Star is 51 per cent owned by Westfield Capital, Mr Lowy's investment arm.

Mr Lowy spent some A$340m (US$268m) buying Ten's Sydney and Melbourne television stations in early 1987, shortly after the Government altered Australia's media ownership rules. He went on to buy a number of other stations and build a nationwide network.

Despite heavy commitments of staff and money, the network has failed to match its two commercial competitors, Mr Alan Bond's Nine network and Mr Christopher Skase's Seven network.

Signs of trouble appeared in April when Mr Lowy replaced the network's managing director with Mr Bob Shanks, a former US television executive.

Since then Ten has significantly changed its schedules, taken its programmes down market, axed scores of staff and, most recently, abruptly halted an expensive flagship current affairs programme.

None of the changes have yet improved the ratings, which show Ten languishing behind its competitors. Mr Lowy, whose Westfield group's principal business is in shopping centres, recently sold his stake in Coles Myer, Australia's largest retailer, for some A$360m.

Analysts agree that he must now decide whether to inject some of the proceeds into Northern Star or sell out altogether.

According to yesterday's apparently inspired speculation, Broadcom was offering to take up to 20 per cent of Northern Star at a price which valued the group at a fraction of what Mr Lowy paid.

If that were to happen, the valuation put on the other networks would also have to be revised – with significant implications for both Mr Bond's Bond Media and Mr Skase's Qintex group.

Canada's competition chief quits

By David Owen in Toronto

MR CALVIN GOLDMAN is to stand down as director of Canada's Bureau of Competition Policy by the end of October, after a three-year reign which has seen him frequently in the public eye.

He will be replaced by Mr Howard Wetston, a former general counsel for the Consumers' Association of Canada and currently the Bureau's deputy director. Mr Wetston's appointment is viewed as a signal that continuity in the interpretation of Canada's three-year-old competition statutes will be maintained.

Mr Goldman's tenure coincided with a spate of acquisitions involving Canadian corporations. His role as the only Federal official with the power to challenge a merger was consequently the aspect of his job which consistently garnered the most attention.

This was most apparent earlier this year, when nearly C$10bn of domestic corporate assets changed hands in the brewing, airlines, oil and paper sectors in the space of nine January days. Mr Goldman ultimately chose not to obstruct any of these mergers, though he imposed a series of conditions on the takeover of Texaco Canada by Imperial Oil.

Mr Goldman has been criticised in some circles for his tendency to hammer out deals in private with companies proposing potentially troublesome mergers, rather than referring them for adjudication to the Competition Tribunal. As a result of this approach, there is still little jurisprudence to give a substantive interpretation of what key terms in the competition act actually mean.

Pasminco posts A$163m maiden profit

By Chris Sherwell

PASMINCO, the Australian zinc and lead producer formed by merging the interests of CRA and North Broken Hill, yesterday reported a maiden after-tax operating profit of A$163.3m (US$124m) on revenues of A$1.71bn.

The group said the result reflected record price levels for zinc, high demand for lead and the benefits of "cost and productivity initiatives" at its operations.

But it added that the gains made on higher metal prices were partly offset by a strengthening in the average Australian dollar exchange rate from 73 US cents to 81 US cents.

The London Metal Exchange zinc price peaked at more than US$2,100 per tonne in March, and through the year averaged just over US$1,600 per tonne, 70 per cent higher than the previous year.

World consumption, also at a record, was mainly due to strong demand for galvanised sheet for the automotive industry.

Motor vehicle producers similarly contributed to the growing consumption of lead through their demand for batteries.

Pasminco said its production of both zinc and lead increased over the year, thanks mainly to increased output from Broken Hill, where the ZC Mine and North Mine were consolidated. Silver production was lower.

CRA and North Broken Hill each own 40 per cent of the group.

Since February, when a public issue of 140m shares was made, the remaining 10 per cent has been held by the public.

They received their first payout yesterday, when directors declared a final dividend of 10 cents a share, fully franked.

Including the interim dividend paid to CRA and North, and a special dividend to North arising from the merger, that represents a total payout of 14.9 cents per share for the year.

Ueberroth group to take 51% in HAL

By Roderick Oram in New York

MR PETER UEBERROTH, the former US baseball commissioner, has gained a foothold in the aviation business after failing to take over troubled Eastern Airlines in the spring.

A group of investors led by Mr Ueberroth has agreed to take a 51 per cent stake in HAL, parent company of Hawaiian Airlines. It will pay $22 a share, for a total of $21.9m, subject to approval by regulators, shareholders and the carrier's unions.

A small regional carrier serving the Hawaiian Islands, it is running up large losses. In this year's first half it reported a net loss of $13m against deficit of $2m.

MIM doubles net figure despite losses on coal

By Chris Sherwell

HIGH SALES volumes and strong prices for its base metals have more than doubled annual net profits at MIM Holdings, the Australian mining group, despite another year of coal losses. Net profit for the year to June was A$203.5m (US$), compared with just A$97.8m, on revenues of A$2.0bn, up from A$1.6bn.

Net foreign exchange gains of A$36.6m lifted the figure to A$240.1m, while on an equity-accounted basis it was A$328m. At the pre-tax level the group included an abnormal A$38m profit on the sale of its interest in the Agnew nickel mine. The coal division reported a pre-tax loss of A$85m, widened from the previous year's A$66m.

The group blamed strike action and wet weather, which led to reduced coal production, and a stronger Australian dollar, but forecast a return to profit in the current year.

Revenues from base metal production reached record levels despite the stronger currency. The group set new production, smelting and refining records for copper, increased its sales volumes in zinc and lead, and saw average prices rise 62 per cent for zinc and 16 per cent for lead.

With earnings per share at 19.6 cents, up from 13.7 cents, the group declared a 7 cent final dividend, making 10 cents for the year, unfranked for local tax purposes.

Kohlberg sues co-founders of KKR

By Our Financial Staff

MR JEROME KOHLBERG, one of the founders of Kohlberg Kravis Roberts, the LBO specialist, is suing the other two founders in New York state.

The suit claims that Mr Kohlberg, who left the company in 1987, has retained a partnership interest in KKR, interests in all the companies KKR acquired before 1987, and the right to buy specified stakes in all KKR transactions until the end of 1995.

"We feel his interpretation of the partnership agreement was wrong and the suit is without merit," KKR said.

Hicom out of the red for the first time

By Lim Siong Hoon in Kuala Lumpur

HEAVY INDUSTRIES Corporation of Malaysia (Hicom), the state-owned group set up nine years ago to take the country into production of steel, cars and cement, has emerged into the black for the first time.

Pre-tax profits were 46m ringgit (US$17.1m) for the year to March compared with a loss of 370.7m ringgit. This resulted from unloading its greatest financial burden, Perwaja Trengganu, the troubled iron and steel mill.

The group had a 50 per cent higher turnover, to 951m ringgit. The divestment of Perwaja Trengganu has also allowed it to cut its accumulated losses by 58 per cent to 250m ringgit. Perwaja Trengganu was sold last year to the Ministry of Finance for a nominal 1 ringgit.

Hicom's next big lossmaker is the 35 per cent-owned Kedah Cement. Like Perwaja Trengganu, it has a deficit on shareholders' funds and in the previous year suffered a 75m ringgit net loss. A total of 11 other companies in the group, mostly making car parts and small engines, are profitable.

The bulk of revenues and profits came from the Proton car and property subsidiaries which reported a combined profit of 59m ringgit. Proton had earlier declared also a maiden 32m ringgit pre-tax profit on sales of 821m ringgit.

Hicom's financial troubles are not over, however, and it requires government relief to help pay interest and bear exchange rate losses accumulated from large blocks of foreign loans obtained in the early 1980s to build its plants.

The group has a 1.4bn ringgit debt of which 1.1bn ringgit is yen-denominated and the repayments now cost 146 per cent more than under the rates which prevailed five years ago.

Mr Jamil Jan, Hicom's president, said the group had asked the Finance Ministry to refinance its government-guaranteed loans such as that with Kedah Cement where 600m ringgit in yen is outstanding.

Hicom has predicted a pre-tax 100m ringgit profit for the current year.

THE Hong Kong-based Yung Pui has entered into agreements to buy a stake in Cycle and Carriage, the Malaysian motor distributor, for 94.4m ringgit (US$31.9m), AP-DJ reports from Kuala Lumpur.

Cycle and Carriage told the Kuala Lumpur Stock Exchange yesterday it had been notified that Yung Pui would be buying a total of 18.9m shares representing 15.1 per cent of its paid-up capital. This included 16.9m shares to be purchased from Malaysian National Insurance at 5 ringgit each.

The company added that two of its directors, Mr Thomas Chua Boon Lee and Mr Basir Ismail, held shareholdings in Yui Pui. Mr Chua was also a member of Yung Pui's board.

● Multi-Purpose Holdings, the diversified Malaysian group which is due to come under the control of Kamunting, a toll-road operator, has reported a 26m ringgit interim profit after tax and extraordinary items.

The 2,574 per cent leap in this profit, attributable to members, came primarily from a 18m ringgit net gain from selling a subsidiary and other investments. Profit before tax was 21.8m ringgit, up 27.6 per cent.

Multi-Purpose's improving fortunes, owed in large part to better returns from properties, gaming and banking, are in contrast with years of heavy losses and severe cash-flow problems that set off two take-over attempts on the group earlier this year.

Kamunting overturned an earlier bid by Hume Industries, a cement products manufacturer. Mr Lim Thian Kiat, chief executive of Kamunting, has a pre-tax profit target for Multi-Purpose of around 200m ringgit a year for the next five years.

● Genting, the Malaysian group which is undergoing a restructuring, reported first-half pre-tax profit of 139.6m ringgit, up from 100.2m ringgit.

Turnover was 276.3m ginggit against 219.3m ringgit. Genting said shareholders had now approved a previously announced plan involving the sale of the group's gaming, hotel and resort related activities to unit Resort World for 442.8m ringgit.

Resort World is to issue 27.2m new shares to Genting and 54m shares to ethnic Malays and indigenous races of Malaysia under the scheme. The transactions involving the transfer to Resort World will come to effect on September 1.

INTERNATIONAL COMPANIES AND FINANCE

DSM now turns its back on 'Jan Modal'

Phase Two of the chemical group's privatisation is clearly aimed at institutions. Laura Raun reports

DSM will complete a rite of passage when another 12mshares are floated internationally next month, placing a full two thirds of the Dutch chemicals company in private hands.

The transition from a state-owned enterprise to a private-sector one will be largely complete when The Hague is reduced to a minority owner, holding one third of the shares. Government influence through five "golden" priority shares (with decisive powers) will be diluted through an expansion of the foundation controlling the shares.

"We are taken more seriously by the market, colleagues and politicians," insists Mr Adrianus Timmermans, a member of DSM's board of management, during a recent interview. He noted that privatisation often provokes labour unrest among workers fearing job losses but asserted that "morale is better than ever."

The flotation, which will be launched on September 27, could raise a record Fl 1.56bn ($716m) from investors around the world, based on an issue price of around Fl 130. That would make it the largest privatisation and biggest equity offer in Dutch history, surpassing the first tranche, which gleaned Fl 1.3bn in a highly successful flotation last January.

But will the second tranche be as successful as the first? Perhaps not if too much of the novelty factor has worn off, and if market fears of a long-expected but not yet visible cyclical downturn in the chemical industry dampen enthusiasm for the issue.

The first tranche's share price was pitched on the low side – Fl 108 – in a political bid to foster "people's capitalism." But at Fl 130 it is starting to get dear for average Dutchman "Jan Modal."

On the other hand institutional investors, who played second fiddle to private investors the first time around, might like to expand their holdings. DSM remains attractive with a price-to-earnings ratio of around 4.9 on expected 1989 earnings and little debt, according to some analysts.

KEY FIGURES

	Sales (Fl bn)	Net profits (Fl m)
1986	8.89	412
1987	8.98	442
1988	10.1	622
1989*	11.1	930
1990*	11.9	930

* Estimates by CSFB

DSM is an integrated chemicals concern and a world leader in caprolactum, a feedstock for nylon, and in melamine, a raw material for synthetic resins such as those in paint. Headed by Mr Hendrikus van Liemt, managing board chairman, it ranks ninth among European chemical companies, with earnings of Fl 622m, sales of Fl 10.1bn and 28,600 employees in 1988.

Based in the lush, green, rolling hills of Limburg, DSM is a relative latecomer to the chemicals industry. It was established in 1902 as a government coal mining department and it was not until the 1930s that it moved downstream into coke and coke-oven gases.


Hendrikus van Liemt, head of DSM, and one of the chemical group's research units

By 1929 the coke was used in making ammonia and nitrogen fertiliser. After World War II the department rapidly expanded coke production and further diversified in chemicals.

In the 1960s when The Netherlands could no longer compete in coal mining all four mines were closed, throwing 28,000 miners out of work. Diversification into chemicals accelerated, propelled by heavy research and development.

Today DSM's plant is among the most modern and environmentally conscious in the industry, thanks to its relative youth and home in a densely populated area. In 1973 DSM began exploiting the Dutch Government's huge natural-gas resources. The gas subsidiary has stayed in state hands although DSM receives about Fl 130m a year in management fees and profits from the gas activities.

DSM and its bankers launched an international road show last week to pitch the offer to securities analysts and institutional investors. The issue price will be announced on September 27, subscriptions will open immediately and trading will start on October 1.

Whether existing shareholders get preferential treatment – through a rights issue or subscription allocation – is a crucial question. Mr Timmermans said DSM is satisfied with the apparent spread of shareholders – about 60 per cent abroad and 40 per cent in The Netherlands.

Institutional investors are believed to hold around 85 per cent of the shares and private investors the remaining 15 per cent, according to Mr Timmermans. That's because 70 per cent of the 100,000 new, private investors in the Netherlands have sold to take quick profits.

"We aren't selling to Jan Modal in the second tranche," snorts Mr Timmermans, who complains that small investors are time-consuming and costly for underwriting banks. "If someone has less than Fl 10,000 to invest he shouldn't buy shares but should put it in an investment fund."

The first tranche of DSM is widely credited with ushering in "people's capitalism" in The Netherlands. Privatisation has been modest because the Government never nationalised much.

The Christian Democrat-Liberal coalition Government, which collapsed last May, sold off more assets than any administration in history. But with a new Government taking office after early elections on September 6 the future of privatisation is uncertain.

The remaining one third of DSM shares in state hands could figure in the political haggling to form a new coalition. DSM has no preference about whether they are sold or not, according to Mr Timmermans. But if they are sold then DSM favours a private placement, he adds.

For the future DSM's corporate strategy is to strengthen specialty polymers such as engineering plastics and higher valued-added commodity chemicals such as melamine. Energy activities are being nurtured.

Geographical expansion will follow the reshaping of the product mix, suggesting relatively more growth in the US and Far East. DSM will gradually sell off its odd-lot stakes in a gaggle of companies, having recently disposed of three fifths of its 6.5 per cent stake in DAF, the Dutch vehicle group.

Mr Timmermans expects no need for new equity barring a major acquisition.

Some industry observers have forecast a cyclical downturn in chemicals for a long time, reasoning that companies dependent on commodities will be hit hardest.

One securities analyst agrees that DSM's earnings may rise more slowly than competitors which are heavier in specialty chemicals.

But a cyclical dip may already be discounted in DSM's price, he continues, and there is little room for the share price to fall based on its current modest p/e ratio.

This analyst believes DSM always was taken seriously by the market because it was well managed – something of an anomaly among state-owned enterprises.

But he agrees that "others have gotten a chance to get a better look at DSM" since the privatisation.

INTERNATIONAL CAPITAL MARKETS

IRS plans new rules for Euro issues

By Stephen Fidler, Euromarkets Correspondent

US TAX authorities are proposing new rules covering Eurobond issues by US borrowers which will frustrate attempts by the Securities and Exchange Commission to streamline issue procedures.

Until now, US issuers of Eurobonds have known that if they comply with SEC regulations, they will also have complied with US tax regulations. The proposals by the Internal Revenue Service, which has invited comments by October 10, would end this conformity, leaving issuers to comply with two separate sets of rules.

The SEC is itself proposing rule changes for Eurobond issuance which would eliminate essential elements of current Eurobond issuer procedures – lock-up and certification – in which securities are kept by the clearing houses until it can be proved that the buyer is not a US person. It would also reduce to 40 days from 90 days the period during which newly-issued Eurobonds cannot be offered in the US.

The IRS rules would preserve the 40-day period but insist on certification – which cannot be effected without the lock-up. To avoid heavy penalties, issuers would have to comply with seven separate standards.

Mr Leslie Samuels, a lawyer with the New York firm of Cleary, Gottlieb, Steen & Hamilton, says a further important change is that the IRS is proposing a strict interpretation of these standards. In the past, issuers and underwriters have had to prove only that the correct procedures were in place.

The new proposal would penalise the issuer even if there had been an inadvertent breach of the rules. This, says Mr Samuels, could substantially increase the risks to both issuers and underwriters in bringing US borrowers to the Euromarkets.

The penalties proposed for violation are heavy: an excise tax of 1 per cent per year on the principal amount of the bond issue, the denial to the issuer of the usual interest deduction, and the loss of the withholding tax exemption to the issuer.

Treasuries nudge higher as dollar gains ground

By Karen Zagor in New York and Katharine Campbell in London

US TREASURY bonds continued to hold their own yesterday in spite of further evidence that a recession is not on the horizon.

In mid-session trading, the Treasury's benchmark 30-year bond was up $\frac{3}{16}$ point at 99$\frac{1}{16}$, yielding 8.18 per cent. The Federal Reserve entered the market to arrange overnight matched sales and Fed funds, the rate at which banks lend to each other, were trading at 8¾ per cent. The target rate for the funds is still believed to be 9 per cent to 9¼ per cent.

GOVERNMENT BONDS

The dollar regained some of its previous day's losses to trade at Y143.60 and DM1.9450 at mid-day in New York. The US currency, which had traded above Y144 and DM1.9575 in New York on Monday, ended Tuesday at Y142.88 and DM1.9380.

The morning's release of personal income and personal consumption data had little impact on the debt market although the July figures were at the low end of analysts' expectations. Personal income was up 0.7 per cent in July and 0.5 per cent in June. The June figure had been estimated at 0.3 per cent. Personal consumption expenditure increased 0.7 per cent in July and 0.2 per cent in June.

Wall Street is now concentrating on Friday's employment report for August which is expected to set the tone for economic and inflation figures for the rest of the month.

■ THE UK government bond market was sufficiently comatose yesterday to cause one operator to question whether his data feed had temporarily stopped functioning. However, it had not, and the static prices were simply a reflection of a particularly quiet day in the futures pit, where prices were confined in a $\frac{3}{16}$ point range.

With a complete absence of data releases to move prices, and sterling insufficiently attractive to generate new interest, the market opened $\frac{3}{16}$ point stronger, only to drift $\frac{1}{16}$ lower over the day.

The September long gilt contract finished at 95-30, ⅛ point up on Tuesday's close.

■ THE GERMAN market remained quiet yesterday, in spite of a slightly weaker dollar, although dealers reported some activity in higher yielding bonds.

Domestic institutions were reportedly buying Kassenobligationen with maturities between 1991 and 1994 which have achieved the target yield of 7 per cent.

Meanwhile, international players were effecting switches between the shorter-term notes and the 10-year bunds, taking advantage of the narrowing spreads between the two instruments. Such investors are happy to give up a little yield in exchange for the greater liquidity of bunds.

On Liffe, the September bund future closed just 4 basis points firmer at 94.45, lower than opening prices which had been boosted by a firm close on the US debt markets the evening before.

The recent desultory performance of the German market will not delay the expected issue of a new federal bund next month, dealers say, and some firms are expecting the issue as early as next week.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-02	+2/32	10.74	10.73	10.70
		9.750	1/98	98-06	+4/32	10.07	10.05	9.99
		9.000	10/08	97-29	+3/32	9.23	9.23	9.15
US TREASURY *		9.125	5/99	105-14	+7/32	8.29	8.31	7.83
		8.875	2/19	106-28	+12/32	8.25	8.29	7.96
JAPAN	No 111	4.600	6/98	97.2270	+0.149	5.05	5.03	5.05
	No 2	5.700	3/07	106.3467	-0.100	5.02	4.96	4.93
GERMANY		7.000	2/99	101.1000	+0.020	6.83	6.77	6.61
FRANCE	BTAN	8.000	1/94	97.5129	+0.071	8.68	8.73	8.53
	OAT	8.125	5/99	98.1400	+0.300	8.40	8.47	8.36
CANADA *		10.250	12/98	104.1250	+0.100	9.58	9.49	9.24
NETHERLANDS		7.000	3/99	98.9100	-0.040	7.16	7.10	6.97
AUSTRALIA		12.000	7/99	94.6459	-0.158	12.97	13.07	13.33

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

S & P affirms deposit ratings

STANDARD and Poor's has affirmed Royal Trust Corporation of Canada's A-plus commercial paper and short-term certificates of deposit rating, as well as Royal Trust Co's A-1-plus short-term certificate of deposit rating, Reuters reports.

S & P said the issues were placed in February.

The rating agency noted that Royal Trustco, the holding company for the Canadian trust units, reached a definitive agreement to acquire unrated Pacific First Financial for $212m earlier this year.

Australia lays budget surplus plan

THE AUSTRALIAN Government has decided how to use its estimated A$9.12bn (US$6.96m) budget surplus for fiscal year ending June 1990 to repay debt, Reuters reports.

According to Mr Paul Keating, the Treasurer, the National Debt Commission-approved programme will:

● retire some A$1.75bn of foreign currency debt through maturities and early calls
● redeem around A$2bn of Australian Savings Bonds
● redeem at maturity some A$3.3bn in Treasury Bonds and
● run down the stock of Treasury notes on issue.

The programme will also redeem additional Treasury Bonds and foreign currency liabilities prior to maturity.

The Government's net foreign debt at the end of June 1989 was A$12.39bn compared with A$11.93bn a year earlier.

Mr Keating said there will be no foreign borrowings undertaken and no further Treasury Bond tenders in calendar 1989. Instead the Government will, as announced in the 1989-90 budget this month, start a reverse bond tender in the December quarter of 1989 to buy back Treasury Bonds and complement the debt repayment programme.

He said the projected A$9.12bn surplus could repay the Government's entire international foreign currency debt, currently A$9.26bn, but this would not be economically attractive due to the difficulty of convincing foreign holders to surrender their securities.

"In other words, Australian sovereign debt is highly valued overseas and we would have to pay a high premium to repurchase it," Mr Keating added.

Net foreign debt, including the official and non-official debt of financial and trading enterprises, was a record A$108.16bn in 1988-89 against A$90.29bn in 1987-88.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 30

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9¾ 95	600	102¾	102¾	+0¼	0	8.79
Austria 9¾ 93	140	101¾	102	0	0	9.03
B.F.C.E. 7 92	150	*196	96	0	+0½	8.76
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6¼ 91	[illegible]					
Canada 5⅝ 93	[illegible]					
Eurofima 5 1995	[illegible]					
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
[illegible]					

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available-previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Hectic day provides fine receptions

By Andrew Freeman

HECTIC NEW issue activity propelled the Eurobond market to one of its most successful days this year, as a number of substantial deals met fine receptions. Syndicate officials basked in collective approval as a string of issues traded on or inside their underwriting fees.

Deutsche Bank Capital Markets (DBCM) was the lead manager of a $300m five-year deal for KFW International Finance, a subsidiary of the German federal government finance agency. The borrower is a regular visitor to the German domestic market, but this was only its second Euro-dollar issue.

INTERNATIONAL BONDS

The bonds were issued at par with a 9 per cent coupon to yield some 50 basis points over the equivalent US Treasury. DBCM agreed the terms with a small syndicate which then re-offered the bonds at a single price until about 1½ hours after launch when DBCM broke the syndicate and allowed the bonds to trade freely.

The deal traded strongly after release, reaching 100.08 bid after 100.15 bid at one point. There was a fixed commission of 0.325 per cent. DBCM would not comment on any swap activity.

While this was similar to the underwriting method used by Morgan Stanley on its recent New Zealand issue, DBCM did not specify separate underwriting and selling commissions, leading to comments that a more tightly-priced deal might have caused confusion about how the fee structure worked.

Many syndicate managers reacted favourably to the deal, with a Swiss Bank Corporation official saying: "It was syndicated professionally and as a result was very well placed."

However, others said the generosity of the terms meant the re-offering system was again not really tested and that a traditionally syndicated deal would have performed as well.

JP Morgan tapped the dollar sector with a $200m 10-year unswapped deal for the Republic of Turkey. The bonds were priced at par to yield 195 basis points over the equivalent Treasuries, and met very strong demand as limited amounts of paper found their way into the market.

Extensive pre-placement over recent weeks by members of the underwriting group had accounted for nearly 85 per cent of the deal, leaving a rump which met strong demand. The bonds traded down to less 0.85 bid, way inside full fees of 2 per cent.

Investors have an annual put option after five-years, while the borrower can call the bonds after seven years. The previous deal for Turkey had a similar investor put.

The Ecu sector continued to see issuance as arbitrage opportunities remained attractive.

Credit Lyonnais brought Japan Development Bank with a much-rumoured Ecu200m eight-year deal, the first time the bank has tapped the sector. The bonds carry the guarantee of the Japanese government.

Demand for the launch yield of 8.74 per cent was steady rather than strong, but the paper traded comfortably within fees at less 1⅞ bid. Traders said there was some comment that the terms were slightly tight, but most members of the syndicate said they placed their allocations easily.

The issue was swapped into fixed-rate yen via floating US dollars to achieve what the lead manager called a very competitive all-in funding cost.

Swiss Bank Corporation launched an Ecu125m five-year deal for itself, and saw the bonds trade smoothly inside fees at less 1¾ bid. The deal was aimed specifically at retail demand and proceeds were swapped into floating-rate US dollars.

The fast-growing Swedish krona sector took more steps towards maturity. Svenska International was the lead manager of a SKr300m five-year deal for Finance for Swedish Industry (AB Industrikredit), a lending institution which is half state-owned. Amid reasonable demand, the paper was trading on fees at less 1⅞ bid.

A Union Bank of Finland SKr300m two-year issue also traded at a discount equivalent to full fees. The lead manager said it wanted to avoid the five-year maturity which is in danger of saturation.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
KFW Int. Finance(a)◆	300	9	100	1994	0.325	Deutsche Bank Cap.Mkts
Turkey, Republic of(c)◆	200	10¼	100	1999	2/1¼	J.P. Morgan Secs.
ECUs						
Japan Development Bank(a)◆	200	8⅝	101⅜	1997	2/1¼	Credit Lyonnais
Swiss Bank Corp. Finance(a)◆	125	8¾	102.05	1994	1⅞/1¼	SBC
AUSTRALIAN DOLLARS						
New South Wales Treasury(d)◆	100	11½	90.727	1999	2⅛/1½	Bain Securities
Barclays Australia Fin.(a)◆	20	14	98¾	1991	1¼/¾	BZW
STERLING						
CMS No. 2(e)‡◆	250	18bp	100	2028	15/10bp	S.G. Warburg Secs.
European Investment Bank(f)◆	100	10½	100.80	1999	2/1¼	UBS Phillips & Drew
D-MARKS						
African Development Bank(a)◆	200	7¼	101½	1999	2/1½	Deutsche Bank
FRENCH FRANCS						
Interfinance Cr.National(b)◆	250	8⅞	101⅞	1996	1⅞/1¼	CCF
LIRE						
ECSC(a)◆	200bn	11½	100¼	1996	1⅞/1¼	B. Nazionale del Lavoro
SWEDISH KRONA						
Union Bank of Finland(a)◆	300	11⅛	101⅛	1991	1⅛/⅝	Union Bank of Finland
AB Industrikredit(a)◆	300	11⅛	101⅝	1994	1⅞/1¼	Svenska Int.
SWISS FRANCS						
Tanifuji Machine Ind.(g)★★§	35	(½)	100	1993	1½	Citicorp Investment Bank

★★Private placement. ‡With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Non-callable. b) Fungible with FFr750m issue launched in June. Non-callable. c) Callable at par in Sept. 1996. Puttable at par from Sept. 1994. d) Exchangeable into identical domestic issue a t any time. Fungible with earlier A$70m issue launched in June. Issue price plus accrued interest. e) 18bp over 3-month Libor. Call after 5 years at par. After 10 years coupon rises to +50bp. Average life 4¼ years. f) Fungible with £100m issue brought by Barings. g) Indicated yield to put 4%.

Rothschild unveils more off-balance sheet products

N.M. ROTHSCHILD has introduced two additional off-balance sheet products to complement its Gold Forward Rate Agreement (Gofra), launched earlier this month, Reuters reports.

The Gofra provides a hedge against movements in gold and dollar interest rates. The new Gold Deposit Forward Rate Agreements (Godfra) and Gold Lease Forward Rate Agreements (Golfra) hedge against changes in gold interest rates.

The two new instruments are based on "clean" gold interest rates and final settlement is in gold. The Gofra is based on London interbank bullion rates and settled in cash.

The "clean" gold interest rate is the dollar London Interbank Offered Rate (Libor) less the London Interbank Forward Bullion Rate. Godfras and Golfras are likely to be attractive to counterparties seeking to lend or borrow gold.

Typically a party would sell gold by notionally lending, say 10,000 ounces of gold at an agreed rate of 2.50 per cent. But if, when settlement is made, the current gold leasing rate is 2.00 per cent, proceeds, calculated in ounces, are due to the customer as he would pay a smaller amount of ounces borrowing back.

Nymex approves 'get tough' measures

By Katharine Campbell

THE BOARD of the New York Mercantile Exchange yesterday formally approved a number of measures recommended by a special panel earlier in the year designed to toughen the exchange's disciplinary powers.

The US futures exchanges are currently under pressure to demonstrate to government parties the adequacy of their own self-regulatory procedures as the Commodity Futures Trading Commission, the federal futures regulator, nears the deadline at the end of next month for its reauthorisation by the US congress.

Among the proposals adopted are the mandatory suspension of traders found guilty of fraud or deceit in connection with executing a customer order. Suspension was previously at the discretion of an exchange committee. The maximum period of suspension has been increased.

However, the new requirement stops well short of legislation before congress which calls for a virtual ban of the practice of dual trading unless exchanges can demonstrate a much stronger grip on their own audit trails. Currently, traders are permitted to operate both for customers and for their own account, but the privilege appears to have been widely abused.

Other new measures include stiffer fines for serious offences, increased to $250,000 from $100,000. Also members will no longer be allowed to cross trade between customers and their own account. Previously the practice was allowed if the customer gave permission. The composition of certain exchange disciplinary panels – notably the business conduct and the adjudication committee – will be altered so that they include a public member as well as representatives of each of the exchanges' membership groups.

The board has yet to carry through two recommendations also being studied by the CFTC which relate to restrictions on the formation of broker affiliations, and to a reexamination of orders which are transmitted to the floor orally.

Election lays siege to Chile's swaps programme

Barbara Durr on opposition to foreign debt deals

Chile's successful debt swap programme is heading for big changes if an opposition party is elected in December. Mr Ricardo Ffrench-Davis, an opposition economist, is proposing that the programme – known as Chapter 19 of the Compendium of Rules on International Exchange – should be limited to productive investments that bring in fresh capital in a ratio of one-to-one with the amount of debt converted.

Mr Ffrench-Davis wants to bring down the pay-back price of Chilean debt by "engaging in firmer negotiations with creditors" and by restricting the amount of swap operations. Anticipation by investors of a change in the programme's rules has produced a rush to use it by election time.

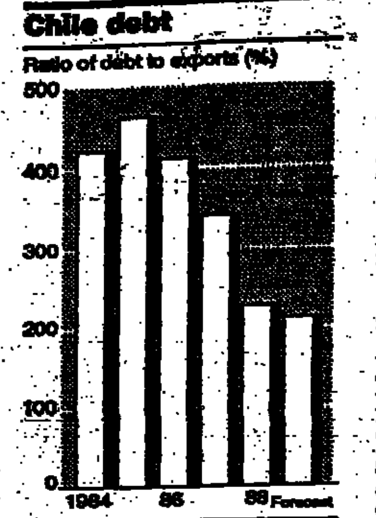
The Chilean central bank has already approved $732m in swaps from January to July this year, compared with last year's total swaps of $890m. The bank still has around $1bn worth of requests waiting.

Since the programme's inception in 1985, there has been $2.6bn in Chapter 19 swaps. Another $2.4bn has been swapped under Chapter 18, which allows Chilean debtors to prepay their debt. Along with some portfolio swaps, prepayments and buy-backs by the central bank and capitalisations, Chile's commercial bank debt has been reduced during the last four years by $7.6bn.

While many foreign investors and bankers regard the programme as a model one, it has been criticised at home.

Mr Ffrench-Davis has spearheaded those criticisms. He believes Chapter 19 has allowed too many simple transfers of assets to foreign investors, who have captured the lion's share of the discount on Chilean debt paper. This amounts to a subsidy for foreign investors that the country can ill afford, he argues.

The central bank's international chief, Mr Francisco Garces, admitted there had been a few such transfers. "Normally, they buy to expand, improve technology, capitalise, increase efficiency or change administration and management methods."



Mr Ffrench-Davis also argues that under the swap programme companies being privatised by the state have been sold for fire-sale prices, thus increasing the "subsidy" for foreign investors.

According to central bank figures, $153m of Chapter 19 investments were for companies being privatised. Purchases of companies under temporary government administration as a consequence of the 1982 economic collapse accounted for another $405m of swaps. This total of $558m represents 25 per cent of all Chapter 19 operations so far.

With respect to prices, government officials contend that had foreigners not been bidding for the companies to be privatised they would have fetched even lower prices.

Mr Ffrench-Davis further recommends that swaps be restricted to investment in activities that increase exports and provide access to new markets and technology.

While stopping short of halting the programme altogether, the opposition appears determined to pare it down substantially. In part, Mr Ffrench-Davis and others contend that the medium-term benefits of swaps to the Chilean balance of payments is questionable. Capital and profit remittances could well outpace debt interest payments in the future. They point out that while interest payments can be renegotiated, it would be difficult for the new government to change its treatment of remittances.

In any case, the future of the swap programme is objectively influenced by the changed nature of Chile's debt profile. Since 1985, and largely owing to Chapters 18 and 19 of the swap programme, Chilean commercial bank debt has become increasingly concentrated both by debtor and creditor.

Of the $8.7bn left in medium and long-term commercial bank debt, $3.2bn corresponds to the Central Bank of Chile. The state-owned Banco del Estado and Banco de Chile, the private Chilean commercial bank, each hold approximately $1bn. The remaining $2.5bn is distributed among an ever decreasing number of local banks and companies.

On the creditor side, most European and smaller US banks have already traded their Chilean obligations and thus the debt has become concentrated in the larger US and Japanese banks. The latter hold 29 per cent of Chile's debt and have not engaged in swaps to any significant extent.

There may be reluctance now on the part of larger US banks to swap more, particularly if they are holding central bank debt. They would have to write down a substantially larger portion of their portfolios to market value.

Chile's total debt at the end of June was $16.7bn, with much of the previous commercial bank debt replaced by credits from multilateral and official lenders. The careful handling, meticulous payment and reduction of Chile's debt has won praise from Mr David Mulford, the under-secretary of the U.S. Treasury Department.

Mr Mulford said the Brady plan was designed for countries like Chile. The opposition, which, ironically, has bitterly criticised the Pinochet regime's debt management, responded that it would be eager to take advantage of the plan.

Whoever is in power, international bankers are expecting the country to borrow funds from international financial institutions to finance debt reduction under the Brady initiative, although the sums are likely to be modest.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Aug 30 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue Aug 29 Index No.	Fri Aug 25 Index No.	Thu Aug 24 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (207)	990.37	----	10.87	4.18	11.29	20.88	990.92	998.08	1002.97	885.56
2	Building Materials (29)	1150.28	-1.1	13.01	4.63	9.57	26.47	1163.35	1179.73	1208.22	1028.17
3	Contracting, Construction (37)	1538.08	-0.5	15.48	4.65	8.43	33.67	1546.28	1570.45	1586.16	1618.88
4	Electricals (9)	2976.52	----	8.37	3.98	14.87	52.79	2978.00	2995.49	3005.85	2163.10
5	Electronics (30)	2229.33	+0.8	8.73	3.36	14.84	47.99	2210.60	2228.12	2241.72	1744.56
6	Mechanical Engineering (56)	547.23	+0.5	9.86	4.05	12.35	10.58	544.51	545.82	545.87	425.41
8	Metals and Metal Forming (6)	528.15	-0.5	19.49	5.68	5.66	14.84	530.66	533.74	530.61	488.37
9	Motors (17)	365.45	-0.7	10.51	4.22	11.14	8.25	368.03	369.28	367.53	281.69
10	Other Industrial Materials (23)	1854.08	----	8.39	3.79	14.23	34.82	1854.52	1860.43	1863.60	1311.85
21	CONSUMER GROUP (185)	1386.34	+0.1	7.84	3.08	16.00	22.10	1385.32	1391.46	1389.00	1081.85
22	Brewers and Distillers (22)	1533.85	----	8.68	3.19	14.42	25.65	1534.15	1539.72	1548.56	1117.21
25	Food Manufacturing (20)	1201.52	-0.3	8.43	3.48	14.85	21.04	1204.84	1213.26	1207.16	967.53
26	Food Retailing (14)	2674.28	+0.2	7.59	2.58	17.41	38.37	2668.62	2674.71	2680.07	1956.97
27	Health and Household (14)	2678.23	+1.0	5.49	1.54	21.48	22.32	2650.55	2667.50	2645.68	1815.43
29	Leisure (34)	1775.58	-0.3	7.08	3.13	17.50	31.23	1781.26	1792.57	1794.58	1362.09
31	Packaging & Paper (15)	613.57	-0.3	9.53	4.04	13.25	9.63	615.13	612.88	612.30	525.11
32	Publishing & Printing (19)	3830.39	-0.5	8.33	4.40	15.44	88.95	3848.57	3868.04	3861.80	3514.07
34	Stores (33)	899.04	-0.3	9.59	4.09	13.61	17.02	901.96	901.62	898.93	800.39
35	Textiles (14)	575.46	-0.4	10.38	5.07	11.52	15.36	577.57	584.63	585.30	581.10
40	OTHER GROUPS (93)	1209.75	-0.1	9.66	3.98	12.57	23.13	1211.28	1218.18	1218.79	898.72
41	Agencies (17)	1606.42	----	6.68	2.20	18.50	22.79	1607.14	1593.77	1598.88	1089.17
42	Chemicals (22)	1349.47	-0.4	11.01	4.60	10.71	40.83	1355.46	1358.17	1361.49	1043.96
43	Conglomerates (13)	1754.25	+0.2	9.75	4.65	12.07	28.35	1750.88	1761.84	1763.60	1212.98
45	Transport (13)	2413.54	-0.8	8.74	3.75	14.84	40.89	2432.61	2455.85	2437.03	1940.86
47	Telephone Networks (2)	1130.24	+0.6	10.83	4.39	12.03	22.38	1123.46	1127.73	1124.52	944.90
48	Miscellaneous (26)	1980.10	-0.6	8.78	3.21	12.86	29.04	1992.71	2019.98	2031.50	1214.56
49	INDUSTRIAL GROUP (485)	1250.20	----	9.15	3.60	13.49	22.74	1250.41	1257.31	1258.10	970.86
51	Oil & Gas (15)	2177.73	----	9.82	5.13	13.51	73.67	2177.51	2199.50	2172.93	1772.58
59	500 SHARE INDEX (500)	1329.45	----	9.23	3.80	13.49	26.89	1329.63	1337.75	1336.40	1039.01
61	FINANCIAL GROUP (122)	814.19	-0.4	–	5.03	–	23.03	817.78	823.41	822.37	693.33
62	Banks (9)	838.41	-0.1	20.61	5.95	6.38	33.83	838.95	846.87	844.64	659.36
65	Insurance (Life) (8)	1232.64	-0.9	–	4.85	–	29.86	1243.32	1251.43	1245.13	1042.36
66	Insurance (Composite) (7)	643.32	-1.6	–	5.77	–	18.82	653.54	659.82	659.40	540.16
67	Insurance (Brokers) (7)	954.94	-0.8	7.87	6.50	16.98	31.89	962.72	961.12	967.78	985.63
68	Merchant Banks (10)	383.61	-0.6	–	4.13	–	7.36	386.01	386.11	379.25	353.47
69	Property (50)	1376.15	----	6.29	2.87	20.29	18.67	1375.49	1381.93	1387.87	1200.48
70	Other Financial (31)	367.89	-0.5	10.94	5.95	11.76	9.83	369.56	370.55	370.47	375.20
71	Investment Trusts (69)	1275.18	-0.1	–	2.63	–	16.93	1276.55	1278.37	1274.39	916.44
81	Mining Finance (1)	710.85	-0.5	8.41	3.61	13.18	15.84	714.69	717.26	704.43	534.62
91	Overseas Traders (8)	1448.70	+1.0	9.61	4.90	11.88	43.33	1434.81	1436.89	1420.15	1176.23
99	ALL-SHARE INDEX (700)	1203.97	-0.1	–	3.95	–	25.67	1204.89	1212.11	1210.39	950.34

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 29	Aug 25	Aug 24	Aug 23	Aug 22	Year ago
FT-SE 100 SHARE INDEX‡	2381.3	+0.5	2383.7	2373.3	2380.8	2397.4	2393.1	2382.4	2370.8	1819.2

FIXED INTEREST

	PRICE INDICES	Wed Aug 30	Day's change %	Tue Aug 29	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.58	+0.09	118.47	–	8.13
2	5-15 years	134.18	+0.11	134.04	–	9.33
3	Over 15 years	146.92	+0.16	146.71	–	8.39
4	Irredeemables	168.34	-0.15	168.39	–	8.48
5	All stocks	131.98	+0.10	131.84	–	8.94
	Index-Linked					
6	5 years	141.11	–	141.10	–	2.26
7	Over 5 years	140.35	+0.05	140.28	–	2.66
8	All stocks	140.29	+0.05	140.22	–	2.61
9	Debentures & Loans	115.01	-0.01	115.02	–	6.77
10	Preference	89.42	–	89.42	–	3.54

	AVERAGE GROSS REDEMPTION YIELDS		Wed Aug 30	Tue Aug 29	Year ago (approx.)
	British Government				
1	Low	5 years	9.46	9.52	9.85
2	Coupons	15 years	9.16	9.18	9.51
3		25 years	9.10	9.09	9.19
4	Medium	5 years	10.38	10.40	10.24
5	Coupons	15 years	9.56	9.58	9.75
6		25 years	9.22	9.23	9.46
7	High	5 years	10.48	10.50	10.39
8	Coupons	15 years	9.77	9.77	9.89
9		25 years	9.40	9.40	9.46
10	Irredeemables		9.14	9.12	9.77
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.81	2.88	3.12
12	Inflation rate 5%	Over 5 yrs.	3.44	3.44	3.84
13	Inflation rate 10%	5yrs.	2.01	1.99	2.82
14	Inflation rate 10%	Over 5 yrs.	3.27	3.27	3.67
15	Debs & Loans	5 years	12.92	12.92	10.99
16		15 years	11.62	11.62	10.99
17		25 years	11.12	11.12	10.98
18	Preference		10.20	10.20	9.855

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	81	9	15
Corporations, Dominion and Foreign Bonds	13	1	29
Industrials	260	492	820
Financial and Properties	87	214	369
Oils	19	23	49
Plantations	0	1	10
Mines	45	36	93
Others	36	129	117
Totals	541	905	1,502

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

LONDON TRADED OPTIONS

REKINDLED INTEREST in Asda yesterday ensured that the food store was the most active individual option on an otherwise sluggish market.

After a period of quiescence, Asda has reemerged as an imminent bid target in the market's tireless rumour mill, and the price in the cash market rose 5p to close at 205p.

A total of 3,388 lots changed hands, largely call buying (3,233), with considerable activity (989 contracts) in the September 220 calls, taking open interest (according to the exchange's preliminary estimates) to 3,012 contracts from 2,506.

Premiums have bounced around, reflecting fluctuating interest in the stock, and yesterday rose 5p on the offered side, to 14p, from 9p on Tuesday.

Overall activity amounted to just 27,059 lots, split quite evenly between 15,768 calls and 11,291 puts. Business in the FTSE index accounted for 6,404 contracts, largely puts (5,006).

One active series was the August 2,350 puts, where 1,294 contracts were recorded, on apparently unchanged open interest. The August series expire this morning.

The second most actively traded individual option yesterday proved to be British Airways, with a predominance of calls, at 2,035, making up a total of 2,503. In this case the October 220 calls saw 992 lots traded.

Strategies performed in Rolls Royce included one where a customer sold the December 200 straddle (both the call and the put), thus effectively selling volatility, and simultaneously bought the December 220 calls, to take advantage of more extreme upside swings.

In total, Rolls Royce options trading amounted to 1,348 lots, divided between 872 calls and 474 puts.

Other options stock where volumes exceeded 1,000 contracts were British Petroleum, with 1,353 lots, and British Steel, with exactly 1,000. In the former, the busiest series was the April 90 puts, which saw 1,000 lots trade. In Steel, the market mostly consisted of put trades, with 450 concentrated in the October 60 puts.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*550)	550	31	48	67	23	35	38
	600	10	27	45	55	60	65
Brit. Airways (*211)	180	35	39	46	½	3	4
	200	18	24	30	3	6½	9
	220	6½	13	20	12	16	17
Brit Com (*169)	160	21	26	31	6	10	12
	180	12	16	22	17	20	23
	200	5	10	14	35	34	36
Smith Bchm (*599)	541	71	90	–	3	9	–
	550	–	–	102	–	–	14
	600	26	47	67	20	27	30
Boots (*301)	280	31	37	38	3	7	8
	300	16	24	34	9	14	16
	330	5½	14	21	30	32	34

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Storehouse (*78)	70	10¼	15½	18	1½	2¼	3½
	80	4½	9	12	5	7¼	7½
Trafalgar (*393)	377	31	38	–	7	14	–
	390	–	–	42	–	–	23
	420	8	16	27	30	38	42
Utd. Biscuits (*389)	360	43	55	68	6¼	11	13
	390	24	38	48	16	21	23
	420	11	24	34	37	40	42
Unilever (*669)	600	82	102	112	3	7	13
	650	40	60	80	13	23	24
	700	18	35	52	37	39	43
Ultramar (*339)	300	48	60	68	3	6	9
	330	28	40	48	9	14	18

UK COMPANY NEWS

Rising world interest rates limit earnings growth

Blackwood Hodge ahead to £6m

By Clare Pearson

RISING WORLD interest rates bit into pre-tax profits of Blackwood Hodge during the six months to end-June, but the earth moving equipment distributor still lifted pre-tax profits by over 26 per cent from £4.79m to £6.05m.

However, after a tax charge increased from 24 per cent to 27.5 per cent, earnings per share advanced only 6.8 per cent to 2.34p (2.19p). The interim dividend is upped to 0.65p (0.6p).

Interest charges increased sharply to £5.53m (£3.8m), reflecting the effects of higher interest rates in the US, Canada and Australia, and to a lesser extent the UK, on bank borrowings and on the costs of holding inventory.

Gearing at the interim stage stood at a seasonally high level of 60 per cent. Blackwood issued £15m of cumulative redeemable preference shares last October to pay for acquisitions.

Helped by a major acquisition in Canada, and small ones in the UK, turnover increased from £192.93m to £236.89m. This reflected buoyant demand for the group's products.

Although Blackwood cautioned that there were some indications that the level of demand experienced in most of the major markets during the past 18 months might decline, Mr Ken Scobie, group managing director, said he did not anticipate any sharp weakening in the months ahead.

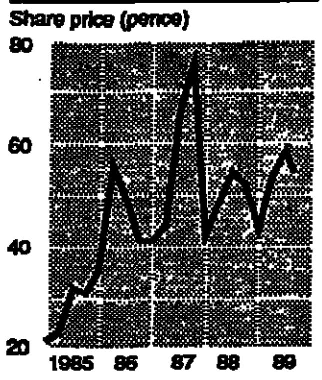
Mr Scobie said the company continued to seek a sizeable acquisition – or else a partner with which to merge – in the UK. Such a deal is required to overcome its problem with unrelieved ACT, which stems from the fact that it makes more than 80 per cent of its sales abroad.

"I cannot say where we'll be in a year's time," he said. However, after about two years of looking hard, Blackwood had not yet found a compatible company in an appropriate field to with which to join up.

The geographical breakdown of sales was: UK £44.05m (£37.13m); US £58.35m (£54.54m); Canada £63.18m (£48.79m); Australia (where the product lines were changed) £43m (£26.61m); Africa £14.27m (£12.43m) and the rest of the world £14.04m (£13.42m).

● COMMENT

As far as Blackwood's pre-tax profits are concerned, the question is whether sales can continue to grow quickly enough to offset interest rate effects. The company's thoughts on the matter seem to be prudently cautious rather than gloomy, but nevertheless yesterday's statement was sufficiently negative for followers to cut full-year forecasts by up to £1m to £18.5m. But the bigger question is whether Blackwood can solve the problem of desperately needing to acquire a similar company in the UK for tax purposes, but finding they are thinly available, while it can only approach them in a friendly way because its shares are so lowly rated, because it does not have enough UK earnings. The shares stand on a prospective p/e of just over 7. To some, it is worth hanging on as Blackwood surely cannot stay in its fiscal box forever. To others, the shares, however cheap, are simply not worth bothering with in the current interest rate environment.



£7m expansion for John Williams

By John Thornhill

JOHN WILLIAMS of Cardiff, the steel stockholder and iron manufacturer, yesterday announced it was to make two acquisitions for £6.6m and that it was to change its name to John William Industries to reflect its proposed transformation into an industrial holding company.

The two companies to be bought are Players, a Swansea-based group with interests ranging from steel drum manufacturing to retail industrial packaging and motor distribution, and Wyndham Engineering, which has interests in steel fabrication and machining.

Wyndham Engineering is a wholly owned subsidiary of Wyndham Group, the Cardiff-based property, vehicle and financial group, which injected £1m into the loss-making John Williams 18 months ago.

Mr Brian Brownhill, chairman of both John Williams and Wyndham Group, said the acquisitions would be a very good step forward for both groups.

But he added that John Williams, which made a loss of £176,995 in the half year to March 31, would continue to be affected by a modernisation programme, although he expected the company to produce a satisfactory result for the year to September 30 1990.

In the year to September 30 1988, Players recorded pre-tax profits of £532,000 on turnover of £6.64m. Although Players' current trading has been affected by capital investment in a new drum factory and reduced demand from a major customer, it has warranted that it will make pre-tax profits of £404,000 in the year to September 30 1989 and £750,000 in the following year.

Wyndham Engineering made pre-tax profits of £201,000 on turnover of £2.06m in the year to March 31 and has warranted it will make not less than £300,000 for the 18 months to September 30 1990.

The £5.5m consideration for Players will be met by the issue of 12.21m John Williams shares. About 7.42m of these shares have been conditionally placed, although existing shareholders will be able to buy them on the basis of one new share for every 2.78 held.

Another 2.83m shares are also to be issued to meet the £1.3m consideration for Wyndham Engineering. A further payment of £700,000 may become payable depending on its performance.

The acquisitions will have to be approved by John Williams' shareholders because of the directors' interests in Wyndham Group.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Assoc Nursing § ......fin	2	-	-	2	-
Blackwood Hodge ...int	0.65	-	0.6	-	1.5
Butler Cox ....int	1.75	Oct 27	-	-	-
Eng/Caledon'n ....fin	1.5	-	1.5	1.5	1.5
Eng/Scot Invs ....int	0.65	Oct 20	0.65	-	2.5
Handley-Walker ....int	3	-	1.8	-	5.4
Korea-Europe ....fin	7‡‡	-	3♥	7	3
Ladbroke ....int	4.14	-	3.45*	-	8.155*
Macfarlane Gp ....int	2.3†	Oct 10	1.75	-	4.35
Ransomes Sims ....int	1.95	-	1.75*	-	5.5*
Renaissance ....int	1.25	-	1.2	-	3.3
Shorco Group § ....int	2	Oct 13	1.86*	-	3.75*
Specialeyes § ....fin	1.375☆	-	-	1.875	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ☆Carries scrip option. ‡‡US cents. ♥For 16 months.

Earnshaw Haes check Eagle Trust connection

By Philip Coggan and Richard Tomkins

THE NEW owners of Earnshaw Haes, the London stockbroker, were yesterday checking to see if the firm had played any role in sub-underwriting the rights issue made by Eagle Trust.

The troubled UK mini-conglomerate made the issue in connection with the acquisition of Samuelson, the film and television company, in October 1987.

On Tuesday, Swiss Bank Corporation said that it had received £3.5m from Earnshaw Haes – recently acquired by Robert White, the stockbroking arm of Hill Samuel and its parent, TSB – to satisfy sub-underwriting commitments entered into by Earnshaw Haes.

Mr Robert Mundie, Robert White's managing director, said yesterday: "We are investigating the records to see just exactly what took place in 1987. It would be wrong for me to say anything until that investigation is complete, but we are treating it as a matter of urgency."

The Serious Fraud Office is investigating a sum of £13.5m which cannot be traced by Eagle's auditors.

Meanwhile, Eagle and Mr Andrew Fitton, chief executive of Braithwaite, seemed to be still far apart yesterday on the latter's proposals to inject capital into the group.

A letter from Henry Ansbacher, Braithwaite's financial adviser, last Friday suggested that "a client" would be interested in injecting capital and new management provided that Eagle supplied financial information, particularly the Peat Marwick report on the company, commissioned by Mr Malcolm Stockdale after his appointment as chairman last May.

Eagle has replied through Aitken Hume, its financial adviser, saying that it would be willing to discuss any concrete proposals. But Mr Fitton said yesterday that Ansbacher did indicate that sums of between £15m and £20m would be injected in return for up to 30 per cent of the equity.

The Ansbacher letter asked for Eagle not to make any major acquisitions or disposals for 14 days but the company was believed to be close yesterday to selling its 14.9 per cent stake in Owners Abroad, the tour operator.

Separately, another company in which Mr Richard Smith, Eagle's managing director, was involved was put into liquidation yesterday with net debts estimated at £261,389.

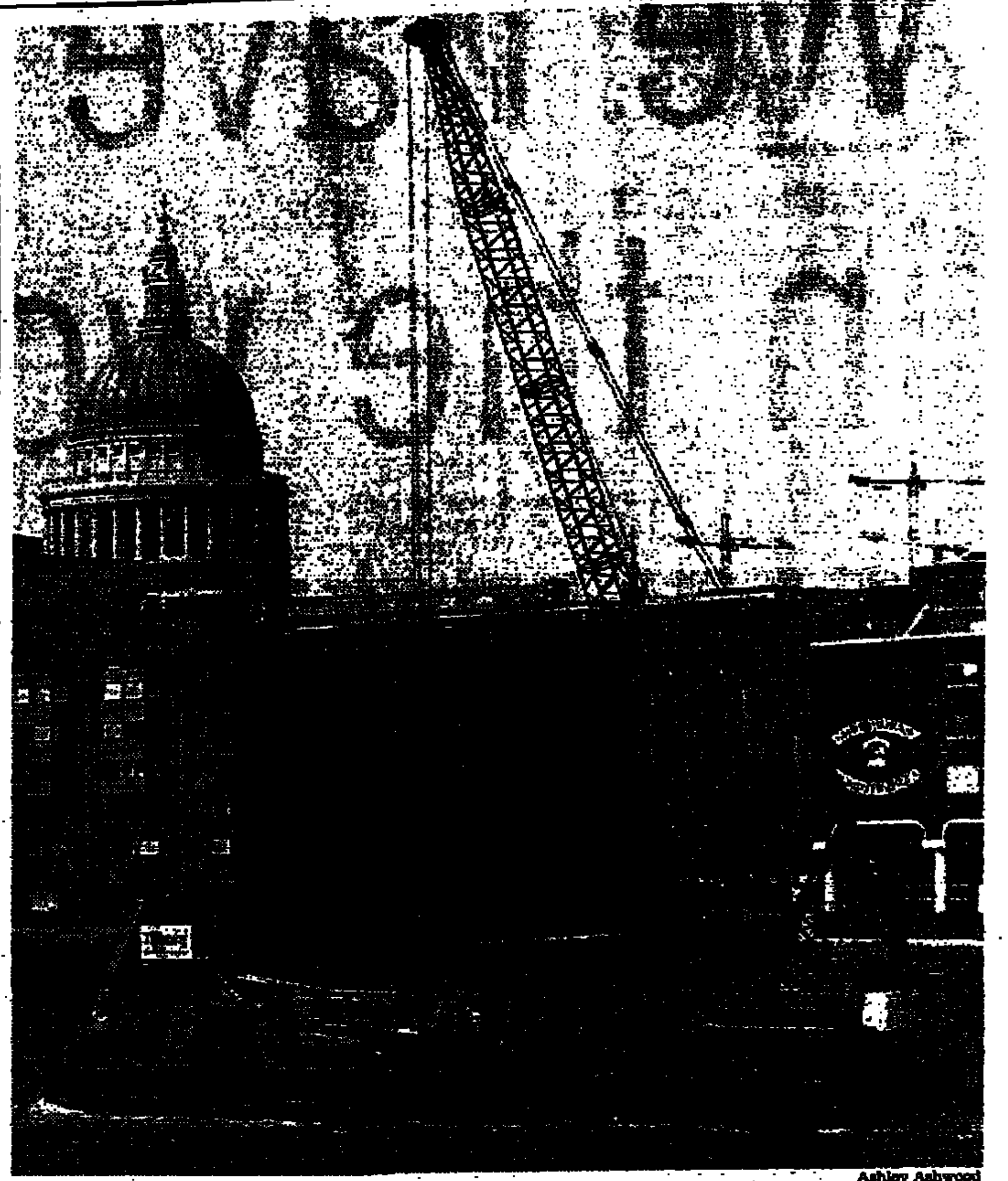
Hi-Lo Engineering Ltd was formed in 1986 to develop a new type of gas-fired domestic water boiler. Lacking sufficient funds, it decided to sell out to Mr Smith's Midland City Partnership in 1987.

However, ownership was eventually vested in a Jersey-based company sharing the same address as Ryco, which performed administrative and financial services for Eagle. Hi-Lo was not part of the Eagle Trust group.

Mr Smith did not join Hi-Lo's two-person board of directors, but those who did over the next two years included his brother, his secretary, Ryco's Mr Roger Young, and four men who were directors of other MCP subsidiaries.

The liquidator, Mr Peter Simler of accountants Pitman Cohen, told a meeting of Hi-Lo's creditors in Birmingham yesterday that the company had failed because excessive servicing and repair costs had caused insupportable losses.

He added: "I think 'cavalier' would be a good word to describe the administration of this company."



Ashley Ashwood

Tilbury floated a subliminal message past the City yesterday as its £120m bid battle against fellow construction company Lilley continued to make waves, writes Philip Coggan.

Lilley published a circular questioning the value of the Linwood development on the old Peugeot Talbot site near Glasgow. The circular claimed that the site comprises an expanse of undeveloped wasteland and is poorly positioned for industrial development.

An independent valuation of the site by Richard Ellis, a chartered surveying firm, commissioned by Lilley values Linwood at £19.3m before tax and sales costs and £15.5m after tax.

Tilbury responded by saying that the valuation failed to recognise the stream of profits to be earned from the development of the site over the period 1989 to 1994.

Most of the bid disputes have centred on Lilley's arguments that the two companies need to merge to create the "critical mass" to compete for infrastructure contracts in the 1990s. Tilbury argues that its specialist engineering skills enable it to win contracts where margins are higher.

Lilley's offer – 33 ordinary shares plus 25 convertible preference shares for every eight in Tilbury – is worth about 598p per Tilbury share, compared with the market price of 630p.

Glynwed acquisition cleared

By Nick Garnett

THE MONOPOLIES and Mergers Commission has cleared the acquisition by Glynwed International, the industrial group, of JB&S Lees, a cold-rolled steel products company.

The acquisition, for which West Midlands-based Glynwed last November paid £25m, was referred to the commission because of the possible impact on competition in the market for hardened and tempered carbon steel strip.

Such steel strip is a very small element of both companies' turnover – less than 0.5 per cent in the case of Glynwed and 3.6 per cent for Lees.

However, Glynwed had just over one half of the £7.2m UK market for such products last year and Lees a little over 10 per cent. Three other British producers share 23 per cent with imports accounting for almost 14 per cent.

In its report the commission said that after examining four main issues it decided the sale to Glynwed of Lees by its parent, Quoteplan, a private company, was not contrary to public interest.

The issues were the ability of customers themselves to harden and temper strip; competition from other UK suppliers; imports of hardened and tempered strip; and the general level of competition at the finished product stage.

The commission said that within the overall UK market, one third in value of materials were not affected because there was little or no overlap between Glynwed's and Lees' businesses.

In two other areas – steel for band woodsaws and hand tools – there was a substantial increase in market share but also potential competition from imports.

In the remaining product area, accounting for £1.5m of sales, the commission said it was concerned because the acquisition increased the combined Glynwed and Lees share to a very high level in some cases "with the possibility of monopolistic abuse."

The commission believed though "that the potential threat of price rises in this area could be mitigated by the existence and potential for increased imports of hardened and tempered strip and finished products, whether imported directly or through stockholders."

A number of companies and organisations, including the British Independent Steel Producers Association, supported the merger.

Glynwed had told the commission that it was particularly interested in Lees' metal cutting bandsaw and bimetallic strip, which it did not manufacture and which made up 60 per cent of Lees' turnover.

Glynwed International and JB&S Lees merger. HM Stationery Office £5.70

Specialeyes sees profits double to £1.1m

SPECIALEYES, the USM-quoted retail opticians chain, doubled its pre-tax profit from £528,000 to £1.1m in the year ended May 26 1989.

Turnover rose 88 per cent to £12.21m (£6.5m). Withdrawal of the NHS sight subsidy on April 1 distorted the pattern of sales, leading to higher than usual sales in the December-March period with a drop in April and May.

Mr Andrew Noble, chairman, said the company had been performing "significantly better" than other optical retailers since April 1, at a time when the trade had been generally depressed.

Evidence from recent openings in the UK and the Netherlands confirmed there was "a great consumer interest in the Specialeyes formula", and the vigorous development programme was being continued.

At the end of May there were 60 branches and since then a further nine had opened. For the current year 25 more outlets were planned and the company believed it had the potential to grow steadily to 250 units in the UK.

Only 40 per cent of current business was derived from a sight test on the premises, the remainder resulting from prescriptions brought in by customers or duplicating existing spectacles.

The profit was struck after an exceptional charge of £377,000 (£132,000). Earnings were 4.39p (4.16p) and the final dividend is 1.375p for a total of 1.875p, as forecast.

UK COMPANY NEWS

£8.7m knitwear acquisition to be integrated with Corah

Charterhall buys Textured Jersey

By Alice Rawsthorn

CHARTERHALL, the investment company headed by Mr Russell Goward, the Australian businessman, is expanding its UK textile interests through a £8.7m agreed bid for Textured Jersey, which specialises in the production of knitted fabrics for use in leisure garments like track suits.

Charterhall is already involved in knitted fabrics through Corah, the Leicester-based textile company it took over late last year.

When the deal is completed Charterhall intends to integrate the two companies. This will involve some job losses although Mr Kevin Freedman, managing director designate of Charterhall, said it was too soon to say exactly how the two companies would be restructured or how many jobs would be lost.

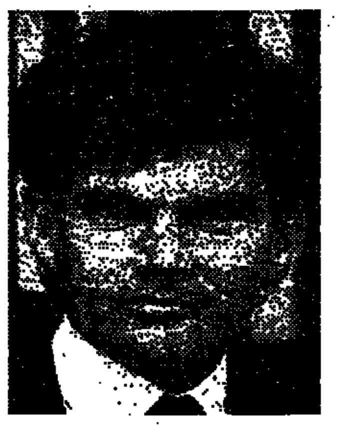
Charterhall has offered 218p cash for each Textured Jersey share. This represents a 57 per cent premium over the middle market price on August 7, when Textured Jersey announced it had received a potential bid approach. Charterhall is advised by Samuel Montagu and Textured Jersey by NM Rothschild.

Textured Jersey's shares rose 25p to 210p on yesterday's announcement. Charterhall has already received undertakings for acceptances representing 63.8 per cent of the equity.

Since Mr Goward took the helm two years ago Charterhall has been involved in a number of deals in the UK. It has emerged with interests in footwear retailing and, following the acquisition of Corah, in textiles.

Mr Freedman said the addition of Textured Jersey offered an opportunity to exploit economies of scale and to enter new product sectors. Corah's knitted fabric operations tend to concentrate on the underwear market, while Textured Jersey specialises in outerwear.

The integration of the two companies seems certain to involve a reduction in manufacturing capacity. Both have dyehouses and finishing plants in Leicester together with knitting operations in nearby Corby. Corah employs 3,400 people and Textured Jersey has a workforce of 390.



Russell Goward: interests in footwear and textiles

Mr Henry Knobil, Textured Jersey chairman, will become an executive director of Charterhall's fabric and clothing division after the acquisition. He said he had accepted the offer as it was in the "best interests" of the company. Textured Jersey recently announced a fall in profits after a tough year of trading and has been rationalising its operations.

Charterhall plans to expand further within UK textiles chiefly by acquisition. Mr Freedman said the next area for expansion would be in the production of finished garments.

Tomkins sued over US Murray Ohio buy

By Clay Harris

TOMKINS, the industrial holding company, is being sued for nearly $2.1m (£1.32m) in New York over its $224m purchase in 1988 of Murray Ohio, the US lawnmower and bicycle manufacturer.

Mr Gregory Hutchings, Tomkins' chief executive, said yesterday that the action would be vigorously defended.

Brylgrove, a UK-based mergers and acquisitions specialist, said that Mr Graham Powell, its US agent and associate, mentioned Murray Ohio as a possible takeover target to Mr Richard Carr, president of Tomkins Corporation, the UK company's US subsidiary, in a conversation on April 7 1987.

The action, filed earlier this month in the New York state supreme court, claims Tomkins had agreed in August 1986 to pay a "finders fee" to Brylgrove if an introduction was made and an acquisition completed.

The claim for damages is based on the "Lehman scale" which prescribes fees of 5 per cent of the first $1m of an acquisition price, 4, 3 and 2 per cent of the next three $1m tranches, and 1 per cent of the balance up to $30m.

Of Brylgrove, Mr Hutchings said yesterday: "They did nothing for us. They say they mentioned Murray to us years ago, but there is no documentation that they did so, so they can go ahead and sue."

Separately yesterday, Tomkins' accounts for the year to March 31 disclosed that Mr Hutchings was paid £395,000 in 1988-89, a 41 per cent increase over the £280,000 he received in the previous 12 months.

His salary includes a performance-related element. Tomkins' dividends went up by 51 per cent in 1988-89.

River Plate concedes it faces defeat over TR Australia plans

By Nikki Tait

RIVER PLATE and General Trust, the investment trust which holds a 29.9 per cent stake in TR Australia Investment Trust and has been opposing TRA's plans for a change in investment policy, yesterday conceded that it probably faces defeat.

River Plate's admission followed an announcement from TR Australia that it intends to propose to preference stockholders that they should be given the opportunity either to realise their stock at par or to convert it into ordinary shares of TRA on no less favourable terms.

Mr John Duffield, of Jupiter Tarbutt which manages River Plate, maintained that the effect of the clarification from TRA was to offer preference stockholders terms under the TRA scheme which equated to those being sought for this class of holders by River Plate.

Unusually, the preference stockholders hold votes in the Touche Remnant trust, speaking for about 6 per cent of the voting rights. Mr Duffield said that River Plate had previously expected these votes to support its own proposals, but that it now expected them to swing to the TRA camp. Accordingly, he maintained that River Plate's support would probably have diminished to around 37 per cent.

TRA's advisers said that they could not comment on what new level of support they might now have. TRA had previously said that over 40 per cent of the equity was in support of its scheme, while River Plate had been claiming a similar figure.

The battle would have come to a head on Friday when shareholders are due to vote on the TRA scheme. This envisages a change in the investment policy to that of a higher-yielding Far Eastern fund, a scrip issue of warrants, and the introduction of a series of possible wind-up dates for the trust.

Mr Duffield said he could not comment on what River Plate might do with its stake if its efforts were defeated.

Yale extends offer for Myson

By John Thornhill

YALE AND Valor, the security and home products group fighting Blue Circle Industries for control of Myson Group, yesterday extended its £187m offer for the boiler manufacturer.

It had received acceptances for 0.02 per cent of Myson's shares at the first close and owns 3.19 per cent.

The rival £195.7m offer from Blue Circle, conditionally agreed by Myson's board in early August after it withdrew its recommendation from Yale's earlier offer, has its first close tomorrow. Blue Circle already controls a large stake in Myson, representing 29.5 per cent of its equity.

Myson's recommendation of Blue Circle's bid is, however, subject to clearance by the Office of Fair Trading. A decision is expected this week.

Mr James Loudon, Blue Circle's finance director, said he was reasonably confident that the OFT would not obstruct the Blue Circle's offer. But Mr Jeoff Samson, Yale's managing director, said he was hopeful that the OFT decision would work to Yale's benefit, allowing its offer to succeed. "That outcome would have both logic and justice," he said.

Since Yale launched its bid for Myson on August 2, the value of its offer has increased from £180m to £187m as its share price has risen.

This rise has partly been in response to the revelation earlier this month that Williams Holdings, the acquisitive industrial holding company, had increased its stake in Yale to 5.85 per cent, suggesting that Yale itself might be on the receiving end of a bid.

Myson's shares were unchanged yesterday at 233p. This compares with Yale's offer worth 229p per Myson share and Blue Circle's 240p cash offer. Blue Circle is also making an alternative "assured value" share offer worth 230p.

● Myson's shareholders have rejected a proposal to pay Mr Paddy Rooney and Mr Graham Cooper, two non-executive directors, £40,000 to compensate them for loss of consultancy work if the Blue Circle bid goes ahead. But they approved a proposal to pay Mr Michael Dove and and Mr Colin Scott, both executive directors, one year's pay.

House of Fraser holds Switzer sale talks

By Kieran Cooke in Dublin and Maggie Urry in London

HOUSE OF Fraser, the UK department store retailer owned by the Al-Fayed brothers, is negotiating to sell its Switzer group of stores in the Irish Republic. The rumoured price is I£35m (£30.3m).

Yesterday House of Fraser said it could not comment on the deal at all, beyond the letter it sent to staff in the Irish shops to keep them informed and to allay fears.

Since the Al-Fayed brothers bought House of Fraser in 1985, the group has reduced the number of its stores from about 100 to 66, concentrating its resources on full-range department stores.

It has sold a number of smaller stores which were not large enough to fit the group's strategy, although generally these have continued trading under their new management. The group sold its store in Copenhagen in 1987 and if the Switzer sale goes through, House of Fraser's stores will all be in mainland UK.

The Switzer group has department stores at prime city-centre sites in Dublin, Cork, Galway and Limerick. Its store in Dublin, on the main Grafton Street shopping mall, has for many years been one of the most fashionable emporiums in the city.

The name of the prospective purchaser of the group has not been disclosed, but Mr Kelvin Coyle, Switzer's managing director, described the likely new owner as "a large publicly quoted British company which is diversifying into retailing".

Mr Coyle said House of Fraser had received the offer for Switzer at the end of last week. He said the identity of the group's new owner would be revealed within the next two weeks.

Rumours circulating in Dublin have it that the purchaser has agreed in principle to pay £15m to House of Fraser for the Switzer group and to take on £20m of accumulated debts.

House of Fraser gained 40 per cent control of Switzer in 1971. It purchased the remaining 60 per cent of the group in 1986 from Waterford Glass for £7.4m.

At that time Switzer was valued at £12.3m, a figure judged by many to be too low and thought to reflect Waterford Glass' need for cash rather than Switzer's true worth.

Though the Irish retail market has picked up in the past few months, trading conditions for a number of city stores have been very difficult in recent years.

The Switzer group is believed to have an annual turnover of £80m. It employs 1,000 people.

Low fares claim by Red Funnel

Red Funnel Group, the Southampton ferry, tug and transport company fighting a hostile bid from Sally UK Holdings, yesterday claimed its ferry prices per mile were lower than any of its competitors on the Isle of Wight service, writes Andrew Hill.

Its latest defence document said its prices were also below those of Scandinavian-owned Sally UK, which plies between Ramsgate and Dunkirk.

The group said the £24m Sally offer represented a multiple of 14 times historic earnings, well below the level of recent shipping acquisitions.

Red Funnel – the trading name for Southampton Isle of Wight and South of England Royal Mail Steam Packet – condemned perks offered by Sally UK as "a gimmick to try to distract attention from an inadequate price".

It added that its shares were likely to maintain their current value if the bid lapsed. Yesterday Red Funnel shares were 243p, 7p above the Sally offer, which closes on September 9.

Shorco up 35%

Shorco Group Holdings increased pre-tax profits by 35 per cent from £325,000 to £440,000 for the six months ended June 30 1989.

This trench support and laser equipment group achieved the outcome on turnover of £2.94m (£2.39m). Earnings per share were 9.2p (6.2p). The interim dividend is raised to 2p (1.66p).

Peek purchases GKI for £4m

By John Ridding

PEEK, the electronic and technology group, is buying GK Instruments, a manufacturer of systems for vehicle classification and weighing, for £4m.

GKI, set up in 1973, is a private company. In the year to end-June 1989 it achieved pre-tax profits of just over £600,000. Peek is paying a p/e of about 10 times GKI's post-tax earnings.

GKI's products, which are implanted in roads, allow transport authorities to classify the type of vehicles passing over them. They also allow the weighing of vehicles while they are in motion.

Mr Ken Maud, Peek's chief executive, said that the acquisition would complement the group's exisiting traffic operations. It already has subsidiaries, in the UK and US, which make vehicle detectors and weighing systems.

Mr Maud said there was an increasing demand from industry for weighing in motion systems.

Mr Geoff Kent, GKI's managing director, will retain his post following the acquisition. But Mr Maud said that there was some scope for rationalisation of the group's traffic operations.

Of the total consideration, £2.5m will be paid in cash and the balance paid by the issue of new ordinary shares in Peek.

Management approach stressed by Norton Opax

By Andrew Hill

NORTON OPAX, the specialist print and packaging group, yesterday said the introduction of its management approach was "the most compelling reason" for merging with De La Rue, the security printing group.

De La Rue rejected Norton's offer document, posted yesterday, saying it "smacked more of Norton Opax having to look over its shoulder than of any sound commercial arguments for combining the two businesses".

Norton said its hostile bid, which values De La Rue at about £493m in cash, shares and convertible loan stock, "crystallised the substantial bid premium" in the target's share price.

De La Rue shares remained unchanged last night at 370p.

Norton said the composition of the security printer's board was "seriously deficient" following the departure of Mr Brian Malpass, the chief executive who resigned in June because of ill health after the group announced poor results.

The document also detailed some of the product and marketing opportunities for the combined group.

Norton said the enlarged group would be a world player in the security card market and said sales of all products would be expanded through new distribution channels, for example in the US (cheques, payment systems, currency equipment), Brazil (tickets, cheques, credit cards) and the Far East (plastic cards, payment systems).

Renaissance advances 21%

Renaissance Holdings, a specialist investor in company turnround and recovery situations, lifted pre-tax profits 21 per cent to £272,000 during the six months to June 30.

Mr Nicky Branch, chairman, said that the rights issue announced earlier this year to raise £5.57m was "strongly supported" and that the company holds 20 investments in its portfolio.

Net assets per share at June 30 were 114.41p, representing a 9.7 per cent advance on the 104.3p at the 1988 year end.

Income from investments for the period increased to £311,000 (£241,000).

Earnings per share eased to 1.84p (1.97p) calculated on an average number of shares on issue which does not include the potential dilution from the exercise of warrants or the conversion of loan stock.

BTR sells off motor seals business

By Clay Harris

BTR, the industrial conglomerate, has sold its Angus Fluid Seals business to Freudenberg Group, a West German-based supplier of engineered components to the automotive industry. The price was not disclosed.

The acquisition gives family-owned Freudenberg its first UK manufacturing facility for seals and precision mouldings. It already distributes in the UK products made elsewhere in the world.

Seals and precision mouldings accounted for DM1bn (£325m) of Freudenberg's total turnover of DM3.5bn in 1988.

Angus, acquired through Dunlop in 1985, specialises in crankshaft seals for engines. It also makes other sealing products and hydraulic packaging.

Under BTR about 30 per cent of Angus's annual turnover of £15m to £16m is exported. Freudenberg intends to increase the proportion, according to Mr Rod Small, managing director of Freudenberg Simrit, who becomes chief executive of the renamed Freudenberg Angus.

Mr Christopher Bull, BTR finance director, said: "It's a high-tech business which needs global development and resources" which Freudenberg would be better able to supply.

See Observer

NEWS DIGEST

Newarthill edges ahead to £7.94m

PROFITS OF Newarthill, the quoted holding company for Sir Robert McAlpine & Sons, the civil engineer and building contractor, edged ahead to £7.94m pre-tax for the half-year to April 30. The previous figure was £7.81m.

Turnover advanced from £191m to £238m.

Looking ahead, directors said profits for the full year were expected to be close to the £16.15m achieved last time. They believed extraordinary debits for the year would be "modest" compared with the previous two years. For the half-year there was an extraordinary £1.31m (£1.28m) credit.

Earnings per £1 share amounted to 24.8p (25.5p) after tax of £3.62m (£3.43m) and £51,000 (nil) minorities.

Macfarlane expands 32% to £4.32m

Macfarlane Group (Clansman), the packaging and plastic moulding combine, yesterday reported continued growth. The directors are looking for a substantial increase in profit for 1989 following a 31.5 per cent lift in the first half.

Beyond that prospects for expansion were still excellent, according to Sir Norman Macfarlane, chairman, who also announced the intention to extend into Europe in the near future.

In the half-year, turnover increased 18 per cent to £48.74m (£41.25m) while pre-tax profits rose to £4.32m (£3.28m). Earnings were 8.39p (6.61p) and the interim dividend is 2.3p

Sir Norman believed there were attractive opportunities in Europe for developing "the unrivalled packaging distribution network which the company has created in recent years throughout the UK."

Associated Nursing almost doubled

Associated Nursing Services, the USM-quoted healthcare group, increased its profits by 92 per cent from £384,000 to £737,000 in the year ended April 1 1989.

Turnover rose from £1.98m to £5.47m. Earnings were 14.2p (7.8p) and, as promised, the inaugural dividend is 2p.

Included in the profit was an exceptional surplus of £292,000 on sale of land. High interest took its toll, the cost this time being £509,000 (£133,000).

Eng & Caledonian NAV rises 15%

Net asset value per £1 share of English & Caledonian Investment was 291p at June 30 1989. This represented a 15 per cent increase on the figure of 253p standing a year earlier.

The £13m development capital investment trust, which is managed by Gartmore Investments, reported gross revenue more than doubled from £215,091 to £431,230.

Expenses were virtually unchanged and after tax of £22,427 (£17,292) net revenue totalled £82,860 (£121,176 loss) and earnings per share were 1.85p (2.7p loss).

The directors propose an unchanged final dividend of 1.5p.

Gold Fields shares restriction removed

Restrictions on a small block of Consolidated Gold Fields shares, imposed on August 10 by Mr Nicholas Ridley, the Trade and Industry Secretary, have been removed.

The 33,000 shares were held in London by Standard Chartered Nominees.

Restrictions were imposed on the shares – and several other small blocks – because Trade and Industry inspectors probing dealings in Gold Fields' shares before and during the hostile bid by Minorco were unable to find out who owned them.

As a result of publicity associated with the "freeze" put on the shares, the inspectors are now satisfied they know the identity of the owner of the block held by Standard Chartered.

The inspectors are continuing their investigation even though the Minorco bid failed and Gold Fields was subsequently taken over by the Hanson group.

Hawtal Whiting makes £489,000

With every operating company making a contribution, Hawtal Whiting Holdings turned in a pre-tax profit of £489,000 for the first half of 1989.

That was slightly better than planned, according to Mr John Whitecross, chairman, and gave confidence that the full year would show much improvement over the £1.22m loss of 1988. The first half of that year saw a profit of £32,000.

The group provides design and engineering services for the motor industry. Mr Whitecross said March heralded the long awaited upturn in business. By the end of June turnover had grown to £20.53m, a 39 per cent improvement over 1988.

£0.94m halfway at Handley-Walker

Pre-tax profits of Handley-Walker, the USM-quoted management consultancy, soared 63 per cent from £577,000 to £942,000 in the six months to June 30 on turnover ahead 29 per cent to £5.8m.

Mr Peter Smith, chairman and chief executive, said the group had maintained the strong organic growth displayed last year. Handley-Walker won more than 120 new customers in the the first half and enjoyed a high level of repeat business from existing customers.

Operating profits were £867,000 (£567,000) while net interest received was up from £10,000 to £75,000. Earnings emerged at 9.5p (6.3p) per share for an increased interim dividend of 3p (1.8p).

UK side helps Butler Cox increase 23%

Butler Cox, the European management consultancy which gained a listing on the main market in May, lifted pre-tax profits by 23 per cent from £516,000 to £634,000 in the six months to June 30.

This increase was helped by a rise in receivable interest from £14,000 to £81,000.

Turnover advanced 8 per cent to £4.19m (£3.9m) while profits at the operating level were up 10 per cent at £552,000 (£503,000).

Earnings worked through at 8.1p (6.2p) per share and the maiden interim dividend is 1.75p.

Mr George Cox, managing director, said that the UK operations had made the largest contribution and continued to grow strongly.

The Butler Cox Foundation, which offers syndicated research programmes, and PEP, the productivity enhancement scheme, had performed particularly well, he said.

Hoylake holds 2.3% of target

By Nikki Tait

HOYLAKE, the vehicle through which the consortium headed by Sir James Goldsmith is making its £13.5bn paper bid for BAT Industries, announced yesterday that it controlled 2.3 per cent of its target by the first closing date on Tuesday.

However, the bulk of this figure was accounted for by shares owned by Hoylake or parties acting in concert with it. These shares amounted to 34.7m or 2.27 per cent of BAT.

Acceptances added the remaining 0.03 per cent.

Many institutions have made clear that they will not begin to take the offer seriously until at least an element of cash is included, and yesterday's result was little surprise to the market, where BAT shares eased 6p to 837p.

BAT is also understood to have protested to the authorities that about 7m of the shares included in Hoylake's total belong to Equity & Law, part of Axa Midi, the France-based insurance company which has been lined up as the buyer of Farmers Group, the US insurance subsidiary of BAT.

A side-show skirmish to the main attraction

Nikki Tait on the issues to be addressed when BAT men meet Sir James Goldsmith

THERE IS nothing like taking the attack to the enemy. At noon today, representatives from BAT Industries, the tobacco-based conglomerate, are to come face to face with Sir James Goldsmith.

The meeting place is Hambros Bank, home of Hoylake's merchant bank adviser.

This battle, it should be stressed, is not over the future of BAT itself – or, at least, not directly. Rather, the defending group is aiming a legal sideswipe at Anglo, the quoted group controlled by certain companies controlled by Mr Jacob Rothschild and Sir James. Its shares are being offered to BAT shareholders as part of Hoylake's terms.

Anglo was a modest leasing business in which various Rothschild companies held a 75 per cent stake until earlier this year. Half that stake was then sold to Sir James Goldsmith's General Oriental Investments (GOIL), and Anglo was earmarked as the vehicle for Sir James' return to the UK acquisition trail.

As a result, Anglo implemented a new corporate structure last June – via a scheme of arrangement which received approval from the non-Goldsmith/Rothschild shareholders.

Essentially, a new holding company was created, so that the leasing business became a subsidiary interest. Anglo shareholders were told that their reoriented company would assemble a group of persons to invest alongside it in a new company, essentially an acquisition vehicle.

The scheme of arrangement documents stated plainly that Anglo would invest on the same basis as its other co-investors in this new company.

Moreover, in addition to its proportionate shares of profits from the venture, it would have voting and management control of the new company, and would receive an "override" – essentially a preferential share – on the new company's profits. Any investment could be subject to shareholder approval, and, if so, the Goldsmith/Rothschild interests in Anglo would vote.

As envisaged, Anglo does indeed play a pivotal role in the structure of the Hoylake offer.

Under the current terms, BAT shareholders would swap their shares for shares in Anglo plus two types of Hoylake loan notes. BAT shareholders would end up with 92 per cent of Anglo. Anglo, in turn, would hold 75 per cent of Hoylake, with the remaining 25 per cent belonging to the Goldsmith consortium in return for their cash subscription, currently put at £868m.

Accordingly, therefore, Anglo is holding an extraordinary general meeting at Hambros Bank at noon today, when its shareholders will be asked to approve a variety of technical measures. As allowed in the scheme of arrangement, the Goldsmith/Rothschild holdings can vote, so the result is a foregone conclusion.

However BAT – which has quickly acquired a token 300 shares in Anglo – is protesting.

It argues that the structure of the Hoylake offer breaches that which Anglo shareholders approved in the early summer. Amid dark mutterings about the protection of minorities, it says that Anglo does not have effective control of Hoylake and that its participation is not on a pari passu basis with the other investors in Hoylake.

Amplifying the first point in a letter to Hoylake's lawyers last week, BAT argued: "Anglo is, in fact, to be precluded from altering the board of Hoylake which will be controlled from the outset by representatives of GOIL and other non-Anglo shareholders of Hoylake." On the latter issue, it contends that while the main equity ownership of Hoylake is split 75:25 between Anglo and the other investors, the split on the override is 60:40.

The point has been raised by BAT with the Stock Exchange, but the authorities have shown little inclination to intervene on these grounds. Hoylake, meanwhile, argues that the rights envisaged for the Hoylake minority shareholders are a fair protection given their substantial investment, and dismisses the split on the override as "having no bearing on the matter".

The fuss certainly has publicity overtones. There is little doubt BAT would like to instill the impression that its rival is adept at manoeuvring in the world of small print.

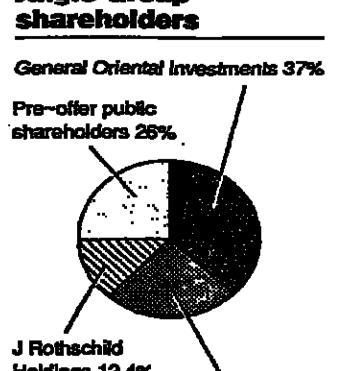
But BAT also maintains that there are legal implications whatever today's outcome. Its lawyers have stated "that unless it can be established that the investments alongside Anglo of the director-linked controlling interest came into being wholly unconnected with the positions of Sir James Goldsmith and Messrs Rothschild and Gibson as directors of Anglo", the minority interests could have legal redress. Put bluntly, the Goldsmith/Rothschild companies could be obliged to "disgorge" its personal profit from a successful bid in favour of the Anglo minority interests.

And there was a further point simmering yesterday. Certain recent Hoylake documents, together with the arrival of Axa Midi, indicate that if its offer is revised, there will be certain fundamental differences in any new bid – not least, the fact that Axa will take a stake in Hoylake.

Accordingly, BAT's advisers point out that Anglo shareholders are being asked to give their approval when they have no firm idea of what is ultimately envisaged.

Last night, this latest wave of agitation did not appear to be causing too much anxiety at Hambros. The bank was unable to say whether separate meetings would now be necessary to approve the Axa/Farmers deal. Nevertheless, today's meeting may yet be an interesting side-show.

Anglo Group shareholders



BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Appleyard, Bestwood, Black (A&C), Cadbury Schweppes, English & O'seas Properties, GRE, Gardner (DC), IOM Steam Packet, Lilley, Murray International Trust, Parambe, Pentland Inds, Slough Estates, Tribble Harris.

Finals- Parrish.

FUTURE DATES

Interims-	
Brent Chemicals	Sep. 25
British Mohair	Sep. 14
Costain	Sep. 7
Elys (Wimbledon)	Sep. 8
Emess	Sep. 4
Enterprise Oil	Sep 7
Foseco	Sep. 28
Gibbs & Dandy	Sep. 7
Hewitt (J)	Sep 19
Instem	Sep. 6
Lilleshall	Sep 4
MTL Instruments	Sep. 12
McLaughlin & Harvey	Sep 8
Mathews (Bernard)	Sep. 14
Mestec	Sep 12
P&O	Sep. 13
Quicks	Sep. 6
Singer & Friedlander	Sep. 7
UK Paper	Sep. 12
Wimpey (George)	Sep. 6
Finals-	
Adscene	Sep 5
Precious Metals Trust	Sep 12

COMMODITIES AND AGRICULTURE

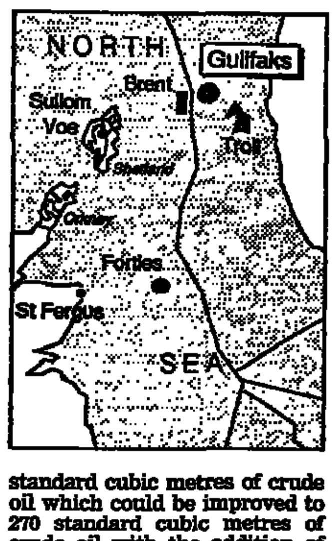
Gullfaks oil reserves may get 400m-barrel boost

By Karen Fossli in Oslo

RECOVERABLE RESERVES in Norway's giant Gullfaks oil field may be uprated by as much as 30 per cent by the end of this year because of the identification of a substantial new reservoir.

That would give an extra 400m barrels of oil, rather more than is estimated for the Nelson field, the biggest of Britain's recent discoveries.

Gullfaks, located in the northern part of the Norwegian North Sea and operated by Statoil, the Norwegian state oil company, is currently producing crude at a daily rate of about 300,000 barrels from two huge concrete platforms, situated on the southern and north-western parts of the 200 square kilometre field.



The current estimate for recoverable oil reserves is 210.3 standard cubic metres of crude oil which could be improved to 270 standard cubic metres of crude oil with the addition of "considerable" reserves identified in a new geological horizon.

A plan is currently being worked out for the exploitation of the reserves in this reservoir.

A third Gullfaks platform was installed this summer and it is likely to come on stream before the year's end. The three platforms at peak production have the potential to produce at a daily rate in excess of 600,000 barrels of oil.

To produce in excess of that may require additional processing and treatment capacity in the field, however.

An extra 400m barrels of oil, at current prices, could yield about NKr50bn (£4.5bn), or more than total investment costs and operational costs over the field's lifetime.

Row looms over EC move to penalise milk levy defaulters

By Tim Dickson in Brussels

A LEGAL row is boiling up in Brussels over European Commission action to punish member states who have failed to pay all or part of their milk superlevy for the last dairy marketing year.

The Commission yesterday disclosed that it intends to penalise five member states which it says owe Ecu140m (£95m) by subtracting an equivalent amount from the so-called "advances" sent to their national intervention boards from the Community's own budget.

The countries and amounts in question earlier this month are understood to have been: Belgium (Ecu12m); West Germany (Ecu16m); France (Ecu47m); Italy (Ecu31m); and the Netherlands (Ecu32m).

The Brussels move – a sign of the determination of the Farm Commissioner Mr Raymond MacSharry to tighten up the rules of the regime – has nevertheless angered some of the countries in question. West Germany apparently threatened at an EC management committee meeting earlier this month to take the issue to the European Court of Justice, while France, Italy and the Netherlands are all thought to have voiced doubts about the legal basis for the decision.

Officials at the Commission are nevertheless confident that they are on secure legal ground. Some 1.8m tonnes of milk were produced above the EC quota limits in 1988-89 and the deadline for payment of the fines – the so-called superlevy, equivalent to 100 per cent of the market price – is set for the end of July.

Raymond MacSharry: making the system work

In 1987-88 the Commission gave countries an extension to the end of the year to come up with the money – but following the slight easing in the milk quota regime proposed by the Commission last month Mr MacSharry is now committed to making the whole system work more efficiently. There is also substantial overspending in the dairy budget this year.

Only the Irish, the UK and the Danish Governments are thought to have paid their outstanding superlevy for the last marketing season. Spain and Greece did not exceed national guaranteed milk quantities and Portugal is excused from quotas and the superlevy while it builds up domestic production.

The latest rumpus is a further sign of the impact on farmers of the restrictive policies being pursued in Brussels – and the pressure on member states to make new concessions in EC farm policy. While administrative inefficiency may be responsible in some cases for the late payments, Brussels believes that there is a strong protest element from some of the parties involved.

If the superlevy is eventually paid, money docked from the offending country's advance will be restored the following month – so there is no question of additional financial sanctions being imposed on the defaulters.

● European Community pulse support prices will rise marginally next season in spite of an estimated 16 per cent overshoot of the production target, according to an EC official, reports Reuter from Brussels.

The 1989 feed pea and bean harvest will overshoot the production target of 3.5m tonnes by 560,000 tonnes, according to the EC management committee responsible for the crop.

It sees the harvest coming in at 4.06m tonnes.

It also fixed the 1988 harvest at 4.276m tonnes, compared with the 4.2m on which last year's overproduction penalty was calculated.

A support price cut of 8.9 per cent will be imposed in line with the stabiliser mechanism to curb overproduction.

The price cut takes into account the correction for underestimating the harvest last year.

This means Ecu2.62 off the price of Ecu29.52 per 100 kilograms, compared with Ecu2.66 off the same figure last time, giving a marginal rise overall.

Coceral, the EC cereals lobby, earlier this month estimated the harvest at 4.15m tonnes.

Mozambique shows its metal to the world

Nicholas Woodsworth on why the country is only now exploiting its mineral resources

FOR OVER a century, southern Africa's wealth has come from the ground; its mineral resources have formed the base of the region's economies and been the principal attraction to foreign interests. Exploitation of gold in South Africa, diamonds in Botswana and Namibia, copper in Zambia, and, more recently, oil in Angola, has provided the area with levels of economic development that are among the highest on the continent.

Mozambique is one country in the region that has not developed a mining reputation. Among the poorest nations in Africa, its annual export earnings of less than US$100m come principally from the sale of cashew nuts and prawns. Yet minerals are Mozambique's most valuable natural resource, and could form the basis of a prosperous export economy.

Hampered by Portuguese colonial under-development and 13 years of guerrilla war, the Mozambican Government has now made mineral exploitation its highest priority in a campaign to attract foreign investment.

Mozambique possesses a wide variety of minerals ranging from gold and gem stones to energy-producing hydro-carbons. Strategic minerals include nickel, cobalt, chromium, platinum, manganese, and 10m tonnes of graphite ore. It has heavy metals such as titanium and zirconium, 10m tonnes of monazite ores, rare earth minerals like beryllium and tantalum, and industrial minerals including diatomite, bauxite and fluorspar. Coal reserves are estimated at 10bn tonnes and natural gas at 140bn cubic metres.

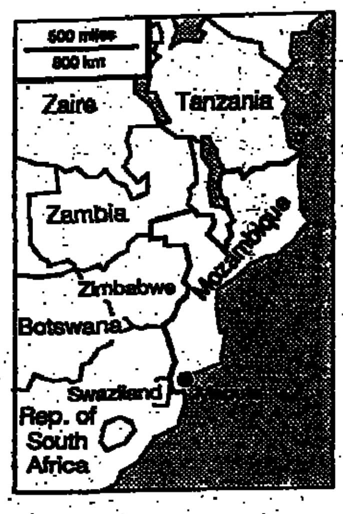
Despite this wealth, the Mozambican mining sector today remains severely under-developed. While the legacy of Portuguese colonial rule gave Mozambique very little to build on, its ongoing war has until recently discouraged new mining projects.

Under-capitalised and without any significant mining industry of its own, Portugal had neither the investment capacity nor the technical expertise to develop Mozambican mining.

Following independence in 1975 and the departure of 90 per cent of the colonial population, Mozambique's nascent mining industry could boast only one geologist and one mining engineer.

Although independent Mozambique made serious efforts to develop its mining sector, the activities of right-wing, South African-backed MNR rebels led to a decade-long decline, rather than increase, in mining production. In coal mining operations, for example, exports dropped 85 per cent from 1980 to 1985 as a result of MNR sabotage of road and rail transport links.

Although the security situation remains serious, Mozambican mining has received new development impetus in the last two years. This is due both to growing hopes that an end to the war may be in sight, and to a new mining investment code introduced in 1986.



In an effort to attract foreign investment, the code provides for the establishment both of wholly foreign-owned mining companies and joint ventures with the Government. Fiscal incentives include the right to 100 per cent repatriation of profits after tax, no dividend with-holding taxes, exemption from import duties on equipment and export duties on minerals produced, as well as accelerated depreciation on mining investments. Taxes on profits are fixed at 50 per cent, and royalties on gross revenues vary from 3 per cent to 10 per cent according to the mineral produced.

The legislation has contributed to a significant growth in foreign interest in the mining sector. From 1986 to 1989 foreign mining investment rose from $5m to $50m. In 1987, mineral production rose by 30 per cent. Last year the Government was approached by 86 foreign mining companies, including those from Great Britain, the US, Japan, Italy and South Africa, and a number of agreements on exploration, feasibility studies, and development projects have been concluded.

Among them are:

● A recently-concluded feasibility study by the Irish company Kenmare Resources for the exploitation of heavy metals. Kenmare is now negotiating the financing of a $87m joint venture with the Mozambican Government and other foreign partners.

● Joint venture agreements between the British multi-national Lonrho (80 per cent) and the Government (20 per cent) on the development of both underground and open pit goldmining. Lonrho is also reported to have shown interest in Mozambican platinum.

● A heavy metal exploration and development project wholly owned by the US company Edlow Resources.

● Development projects by the Italian and Bulgarian governments for the exploitation of marble and graphite.

In addition, the Mozambican National Directorate of Mines reports that it is now in the final phase of contract negotiations on projects with 12 other foreign companies. These include a $60m government exploration and development agreement with BP Coal, a joint venture with Cliff Minerals (UK) for the exploitation of diatomite, and a gold-mining project to be wholly owned by Anglo-American of South Africa.

Plans for two big future projects are now taking shape. The first involves a $200m project for the development of the Pande gas fields. Lonrho, Anglo-American, and the Italian company Mount Edison have all expressed interest, and the World Bank's International Finance Corporation has said it can provide 25 per cent of the field's capital development costs.

Possibilities include both shipments of natural gas to Italy and the construction of a pipeline to South Africa.

The second project, worth $1.25bn, focuses on the Moatize coal fields, and development agreements may be reached in 18 months. Mine and transport feasibility studies by the Brazilian company CVRD are already underway, and while Japanese, British, Italian, and other companies are involved in discussions with the Government, CVRD and Soviet mining interests are most likely to secure a contract.

If agreements on either of these two major projects are concluded, Mozambique's long-neglected mining sector will be well launched on the road to development.

Saudi accusation in sheep row

SAUDI ARABIA, in its first public statement on an escalating trade dispute, has accused Australia of trying to export sick animals into Middle East markets, reports AP-Dow Jones from Riyadh.

An Agriculture Ministry statement said that "25 to 30 per cent of the sheep in three consignments" from Australia were clinically proven to be afflicted with sheep pox and consequently turned away, the official Saudi Press Agency reported on Tuesday night.

Referring to a delivery of 68,000 sheep turned away from the Gulf port of Dammam, the Ministry said: "Sheep pox indications were clear in 25 per cent of that consignment, and when those sheep reached Kuwait aboard the same vessel, they were minus 21,000 head. It proved that the disease had spread and that the diseased animals were somehow got rid of.

"It was an attempt to prove the Australian sheep were safe and free of diseases so that they be marketed in the Gulf markets," the statement added.

"This also proves that every time the kingdom rejects a consignment, an attempt is made one way or the other to hide the truth of the diseased animals, so as to affect the outcome of the tests that might be carried out by the other states."

As reported, Australia has suspended its sheep shipments to Saudi Arabia pending a solution to the trade dispute. Australian officials say blue tongue and sheep pox are not found in Australia, which last year exported around 7m sheep to the Middle East. About half went to Saudi Arabia, the largest single market.

Australia aims to clean up wool exports

BEER CANS, cigarette butts, and even the occasional shearer's singlet are just some of the unwelcome additions found in Australian wool exports recently, reports Reuter from Sydney.

As a result, the Wool Council of Australia, a leading wool industry body, has announced it is preparing a big campaign to reduce the contamination of Australian wool, until recently the country's largest export earner.

Executive Director David Coombes said wool contamination had been a problem for many years, with baling twine and the synthetic fibres of the bales usually being the main culprits.

Mr John McCracken, Wool Council chairman, said "We have all heard horror stories about the cost of contamination to wool processers ... the A$50,000 cloth damaged by a piece of black baling twine and the gate hinge which wrecked A$250,000 worth of hi-tech scouring equipment," said.

The Wool Council together with the Australian Wool Corporation are setting up a working group to study the problem and will report their findings in November.

USDA forecasts record year for farm incomes

By Nancy Dunne in Washington

INCREASED CROP and meat production this year, in the wake of last year's severe drought, could raise net US farm income by over 10 per cent to between $48bn and $53bn, topping the 1987 record of $47bn, according to the US Department of Agriculture.

With surpluses curtailed by this year's reduced yields and prices comparitively strong, cash receipts are projected to rise by between $2bn and $10bn, more than compensating for a decline in direct government payments and higher costs.

In its Agricultural Income and Finance Report, the department sees another fall in hog receipts, with a total decline of about $500m on top of a $1bn reduction last year. Livestock and poultry receipts are expected to rise by about 15 per cent, following large gains in 1988.

The outlook for wheat and maize receipts is a hefty 15 per cent rise, following sizeable gains last year. Soyabean returns, however, are likely to fall as higher domestic production and record foreign output lead to a 25 per cent fall in prices.

Cash expenses should rise by between 3 per cent and 6 per cent this year, about the same as last year. Short-term interest expenses are rising because of greater input use and higher annual interest rates.

On the plus side, long-term interest expenses are continuing to fall as old debt is retired and long-term rates decline. Total interest expenses are expected to rise by about 10 per cent.

The USDA is confidently predicting continued improvement in the sector's financial position.

Farm asset values are forecast to rise by between 3 per cent and 5 per cent, thanks to higher real estate values.

Debt levels will probably remain unchanged, but equity in the sector could rise by between 5 per cent and 7 per cent, the third straight year of improvement, reaching $643bn to $653bn.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER PRICES eased further on the London Metal Exchange yesterday as liquidation continued to be encouraged by the weakness of the Comex market in New York. News that workers at Chile's 100,000-tonnes-a-year Salvador mine had voted to strike from tomorrow gave the market a lift in the morning, but by the close the cash quotation was down to £1,866.50 a tonne, adding £33.50 to Tuesday's £82.50 decline. Suggestions that Peruvian miners may be ready to end their 2½-week strike encouraged the fall. Aluminium followed copper down with the cash price closing $20 off at $1,853 a tonne. In contrast the LME lead market moved strongly ahead to a fresh 5-year high as traders anticipated a period of supply tightness later in the year. The cash price, which had gained £17 on Tuesday, added another £12 at £474.50 a tonne.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	765	747	764 749
Dec	825	806	826 809
Mar	801	787	805 790
May	808	800	812 805
Jul	825	816	829 820
Sep	842	835	842 839
Dec	869	860	870 861

WOOL

Australian prices remain at floor level, though there are minimal movements of a cent or two on individual types. The wool corporation is buying in the region of 40,000, with some variation between centres. The proportion bought by the AWC does take on importance in assessing the world market when prices are on the floor. It is the first sign of better demand, but nothing has yet happened to raise hopes of a turn for the better. Among wool using countries the tone remains more or less depressed. Activity in the UK is below capacity and lower than a year ago, though only by around 6,000 in the year to date.

US MARKETS

In the metals, gold fell slightly as the U.S. dollar rebounded after Tuesday's losses, reports Drexel Burnham Lambert. Silver trading was mixed with most of the volume in the form of rollovers. Thursday is the first notice day for the September contract. Copper featured choppy action with prices firming-up from lower comex stocks. In the softs, sugar, coffee and cocoa closed higher, but volume in all markets was light. The grain markets were also very slow as each closed nearly unchanged. Cotton prices were firm as bargain-hunting emerged after the recent declines. In the livestocks, pork belly futures rallied early in the day on continued rumours of possible exports to Poland. Profit-taking near the close pared gains down to 7 points basis February. Cattle prices were lower due mostly to the slow movement of feed lot cattle. Live hogs were pressured by a lower cash market. The energy complex posted modest gains as trade activity increased.

New York

Chicago

LONDON STOCK EXCHANGE

Equities mark time in quiet trading

In a relatively undistinguished trading session the London stock market fought off another bout of small-scale selling and galvanised itself sufficiently to produce a minor gain on the day.

Having been firmly rebuffed recently from the 2,400 level the FT-SE index fluctuated in a 10 point range yesterday, falling back to show a 7.5 decline within two hours of the outset of trading, and then bouncing back to display a near 3 point rise before once again coming off to close with a 0.5 gain at 2,381.5.

The market opened on a weak note, upset by Wall Street's lacklustre performance and remained nervous until it became obvious that no big fund-raising operation was in sight. There had been worries late on Tuesday that Ladbroke's interim figures could have brought an accompanying rights issue. The day's low point on the FT-SE coincided with the Ladbroke figures and from them on the market had a much better feel according to traders. The results from Ladbrokes were at the top end of market forecasts and helped overall market sentiment.

Adding to the recovery trend was bullish news regarding aircraft orders from Japan which gave a strong push to British Aerospace shares, as well as revived and strong takeover speculation in food retailing group ASDA. Lonrho were one of the front runners early in the session amid a fresh bout of speculation that the 20 per cent-plus stake in Lonrho held by Alan Bond, the Australian entrepreneur, could soon be changing hands.

Helping boost sentiment late in the day was a firm performance from Wall Street which was showing a 14 point rise after a couple of hours trading.

But opinions as to the market's short-term outlook remained strongly divided. Some observers reckoned that the market had absorbed much of not all of the recent bout of profit-taking taking. "There could well be another run in this market; we're looking at "new-time" buying for tomorrow (Thursday) and you still can't buy back all of your bear positions," said one senior trader. He took the view that the market will soon be testing the 2,400 level on the FTSE index.

Others were much more cautious, pointing out that the strong run on Wall Street had brought a very disappointing response from London. "The market has run out of steam and virtually ignored what was a good opening from America," noted one top trader.

Hoare Govett reaffirmed that it is looking for a short-term setback of perhaps 80 points on the FT-SE, but remains bullish in the long-term.

Turnover totalled 414m shares, helped by some concerted buying in mid-session which saw turnover jump from some 92m shares to 263m shares between 10 am and 1pm.

Account Dealing Dates

First Dealings:	Aug 14	Sep 4	Sep 18
Option Declarations:	Aug 31	Sep 14	Sep 28
Last Dealings:	Sep 1	Sep 15	Sep 29
Account Day:	Sep 11	Sep 25	Oct 9

"New time dealings may take place from 9.00 am two business days earlier.

Japanese jets order lifts BAe

Trading in British Aerospace began the day in optimistic mood. Dealers were hoping for good news from the company and were not disappointed. The revelation that Japan's defence ministry was to buy three BAe jet transports was seen as foreshadowing further orders. "Japan's defence budget will be one of the fastest growing over the next few years," said one analyst. There have been stories in the market for some months that Japan was likely to buy Harrier jets for its navy; Second World War peace treaties prevent Japan from having conventional aircraft carriers. Talk was that such a deal, possibly for 50 Harriers, would be closed within five weeks. BAe ended 13 better at 697p, having touched 700p.

The good sentiment spilled over into Rolls-Royce, where interims are due on August 14. The limit on foreign ownership of Rolls and BAe shares is set to be raised from 15 per cent to 29.5 per cent. But the companies have to call extraordinary meetings to do this, and they are unlikely to set a date for such a meeting until after the interims.

Rolls' price was underpinned both by the launch yesterday of a new engine from motor manufacturer subsidiary Rover, and a buy note from Warburg Securities, which looks forward to a recovery in 1991 after two lean years. It predicts profits of £303m in that year, against £266m for 1990. Rolls finished the day up 6 at 192p.

Ladbroke pleases

Ladbroke produced a set of interim profits slightly better than market estimates, and with longer term sentiment about trading prospects for the group turning more bullish, the shares moved modestly higher. Half-year earnings were up nearly 20 per cent to £141m, and the shares, having peaked at 329p, closed at 324p, up a net 2 on turnover of 2.3m.

"The group is on track for around £310m for the full year and we continue to regard the shares as an excellent investment in the leisure sector," commented Roy Owens of Kitcat & Aitken. This was echoed by Mr Paul Slattery at Kleinwort Benson, who described half-year earnings as "workmanlike and no-nonsense." He is forecasting full year profits of £305m, a conservative figure given the unrealised surplus in the group's property division.

The only cloud on the horizon is the slowdown in sales at the diy chain Texas Homecare, but Ladbroke is fully prepared for the slower rate of growth, said analysts, and happy to wait until interest rates come down and consumer spending picks up.

"The outlook for the share price remains positive, with several brokers recommending that clients buy the stock at the current levels. "The shares should pick up again when people realise that the company is growing faster than the market; the stock remains on our buy list," said Mr Rupert Symington at Nomura.

Racal recommended

A buy recommendation from Smith New Court helped Racal Electronics move higher; the shares closed up 8 at 223p, the rise spilling over into 80 per cent-owned Racal Telecom, which ended 6 better at 252p.

Mr Mike Styles, at Smith, anticipates pre-tax profits at Racal of £250m to March 1990, and £350m in the following year, and earnings-per-share growth of 28 per cent, twice that for the electronics sector as a whole.

Mr Styles said there had been "a lot of lunacy" on the likely profitability of cellular phones, and Racal had suffered too much when the market over-reacted following the Government's decision in June to award further personal communications systems licences.

"If the current rate of new Vodafone subscriptions is maintained Racal should have 480,000 subscribers by March next year, which would boost profits at Racal Telecom £90m to £240m, said the Smith researcher. The prospects for Racal's government data network are also encouraging. Mr Styles believes Racal had a good chance of hitting the "jackpot" with a contract for a centralised telecom system.

Midland stood out among lacklustre clearing banks, the shares rising to 378p before dropping back late on to close up a net 6 at 370p. The reason for rise was the discovery that Sir Kit McMahon, the chairman of Midland, has a meeting planned for today with the Governor of Hong Kong.

The speculation was that, the two would discuss a possible merger between Midland and its 14.9 per cent shareholder Hongkong and Shanghai Bank. There is an agreement between the two banks that Hongkong and Shanghai will not add to its stake without permission from Midland until November 1990. Some in the market believe that, in light of the uncertainties currently surrounding the Colony's future, the standstill agreement might now be shelved, a move which would allow Hongkong and Shanghai to increase its stake in Midland, possibly in preparation for a full merger.

Although speculation about such a deal failed to find much favour among bank analysts, it did inspire some erratic buying of Midland, and by the close 4.6m shares had changed hands.

Among insurers Royal fell 6 to 444p on turnover of 3.1m shares on the suspicion that Adelaide Steamship, the Australian group, was further reducing its less than 5 per cent stake. Guardian Royal Exchange were a poor market in front of today's interim results, the shares losing 8 to 224p in anticipation of disappointing figures. County NatWest WoodMac forecasts £110m in six-monthly earnings, and recommends clients to buy the stock on any further weakness.

British Airways was one of the most heavily traded stocks in the FT-SE 100 for the second day in a row. Most buying came from the US, with selling from London.

Analysts and marketmakers were again intrigued by the possibilities surrounding the leveraged bid in the US for United Airlines by Mr Marvin Davis, the US investor. There was still talk in the market that BA might step in with a rival bid, even though US law prevents a takeover. Others suggested that BA might be involved in a management buyout for United to be followed by a shares swap. "International acquisition is the way forward," said one analyst.

But Mr Glenn Engel, analyst at Goldman Sachs in New York poured cold water on bid talk, saying that BA was simply a good buy. "BA is looking very cheap relative to other airlines," he said, "and the management is extremely good." He explained that US airlines were attracting leveraged bid premiums, pushing prices up to 50 per cent higher than BA's, in relative terms. BA firmed 2 to 211p, having touched 213p, in strong volume.

The pharmaceutical sector was set alight by suggestions in New York that US drug company Upjohn was about to become the target of a bid from a Swiss drug giant. The two possible suitors named were Sandoz and Hoffman La Roche. The latter is a regular subject of such speculation; it failed in an attempt to buy Sterling Drug of the US in 1988.

US securities houses in London were quick to bid for pharmaceutical stock. By the end of the day Fisons was 5 up at 353p, Glaxo 11 better at 1569p, SmithKline Beecham 7 firmer at 599p while Wellcome closed at 710p, a net rise of 17. Upjohn was trading in New York yesterday at $41, up $2¼ on the previous night's close.

The building area of the market remained under a cloud with the emphasis falling again on the materials sector. County Natwest WoodMac came out with a sell recommendation on materials, saying this area "is now rightly taking the place of the contractors in the firing line and could easily underperform the market by 10 per cent in the next few months." The broker added: "We would sell Redland heavily and do not think the shares are worth much more than 430p." Redland shares ran back 4 to 535p.

Next week sees the interim reporting season for the big building companies get underway. Taylor Woodrow, 4 lower at 281p, is scheduled to reveal interims on Tuesday with Hoare Govett forecasting pre-tax profits of £39m against £34m last time and an interim dividend of 1.7p against 1.5p.

Wednesday brings interims from Blue Circle Industries and George Wimpey. The former dropped 10 to 239p in busy trading of 3.8m after announcing its US subsidiary had bought the Georgia Marble Aggregates Corporation for $148.5m in cash. AMEC, reporting interims next Thursday, retreated 5 to 445p.

Caradon proved an exception, the shares spurting 10 higher to 355p amid market stories that a bid for the group could well be on the cards.

Among retail stocks Storehouse slipped 4 to 144p in light trade as the first details of Tuesday's large agency cross came to light. A total of 14.25m shares were traded at 148p, not the widely touted 165p.

Scottish fashion group Goldberg bounced back from Tuesday's fall to add 2 at 158p after bidder Blacks Leisure announced it had received acceptances worth 34.6 per cent of its target. Blacks is extending its offer until September 12 and is now able to add to its stake in the market. Blacks closed down ¼ at 8¼p.

Trading in knitted fabrics specialist Textured Jersey reopened and the shares shot up to close at 210p, a rise of 25p, on news of the agreed bid from Charterhall, ¼ off at 21¼p.

Cadbury Schweppes was nervous in front of today's interim figures, the shares dropping 3 to 414p. The range of forecasts is £91m to £96m, and with the current market price still partly loaded with takeover speculation, analysts are not expecting the shares to post large gains even if half-year earnings are better than expected.

The main feature among retailers was Asda, again heavily traded in the options market. The shares closed 5½ better at 285p on turnover of 13m shares on hopes of an overseas bid, but close observers of the stock believe the next piece of news will be an announcement from the Canadian arbitrageurs, the Belzbergs, that they have increased their stake to over a declarable 5 per cent or more. It is thought that the Belzbergs were buyers of Asda last week.

A downgrading from County Natwest WoodMac hurt Norcros, down 7 at 284p. The securities house visited the company last week and returned with little good news. It cut its forecast for profits in the current year from £74m to £62m.

Directors and employees at Rank Organisation liquidated their share options as they fell due. The resulting 1.3m share block was offered by Warburg Securities at 911p and was six times oversubscribed. The share price closed unchanged at 933p, with an exceptionally high 4.2m shares traded.

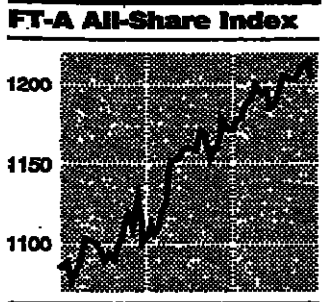
Eurotunnel continued to fall amid fears of the extent of cost overruns for the channel tunnel. But it closed off the worst at 733p, down 37 on the day, after the publication of its latest drilling report.

Lonrho were a firm market early on after the word went around to expect an announcement from Australia that Mr Alan Bond had sold his 20.4 per cent stake, possibly to a Japanese buyer. However, when no news was forthcoming, the shares slipped off their peak of 312p to close a net 6 better at 309p on turnover of 4.2m.

Burmah staged a late run, closing 7 higher at 652p with many market observers still taking the view that a move by Burmah to acquire SHV's 44.2 per cent stake in Calor, possibly in exchange for Burmah's 29.9 per cent stake in Premier, could still be on the cards. SHV is known to have a 4 per cent stake in Burmah and a holding of between 3 and 4 per cent in Premier and sector specialists expect some sort of deal in coming months.

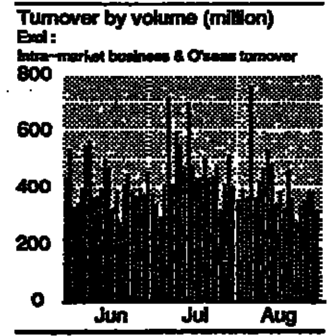
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 22

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excl: Intra-market business & O'seas turnover



FINANCIAL TIMES STOCK INDICES

	Aug 30	Aug 29	Aug 25	Aug 24	Aug 23	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	87.03	87.01	87.14	87.12	87.22	86.54	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.15	96.20	96.28	96.40	97.67	96.72	99.50 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1970.9	1972.7	1961.0	1977.3	1975.9	1409.4	1981.0 (25/8)	1447.8 (3/1)	1981.0 (25/8/89)	49.4 (26/6/40)
Gold Mines	195.8	194.9	197.0	199.9	201.7	194.1	208.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2381.3	2380.5	2387.4	2393.1	2382.4	1753.6	2397.4 (25/8)	1782.5 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.01	4.01	3.99	4.00	4.00	4.82				
Earning Yld % (full)	9.61	9.59	9.56	9.57	9.57	12.17				
P/E Ratio(Net)(*)	12.55	12.56	12.61	12.59	12.59	10.00				
SEAQ Bargains(5pm)	25,737	26,702	28,142	28,564	25,970	19,380				
Equity Turnover(£m)†	-	702.59	1034.97	1032.02	893.62	934.56				
Equity Bargains†	-	28,319	29,715	28,534	26,868	20,148				
Shares Traded (ml)†	-	314.4	391.9	395.5	352.1	277.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. ◊ nil 12.42

Ordinary Share Index, Hourly changes — Day's High 1971.7 — Day's Low 1965.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1971.0	1966.1	1968.0	1969.3	1971.0	1968.9	1969.0	1971.2

FT-SE, Hourly changes — Day's High 2383.7 — Day's Low 2373.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2378.4	2374.1	2375.4	2380.3	2382.8	2379.7	2379.7	2383.1

S.E. ACTIVITY

Indices	Aug 29	Aug 25
Gilt Edged Bargains	80.9	78.1
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5—Day average		
Gilt Edged Bargains	85.3	86.9
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	12,100	285	+5½	Cookson	1,000	365	-5	Legal & General	447	368	-3	Royal Insurance	3,100	444	-6
Abbey National	6,200	148½	-½	Courtaulds	505	379	-3	Lloyds Bank	1,600	412	-3	STC	2,900	357	+1
Allied-Lyons	750	549	-1	Dalgety	221	408	-3	LASMO	726	521	+2	Saatchi & Saatchi	469	311½	-2½
Amstrad	896	70		Dixons	1,000	168		Lonrho	4,200	309	+6	Sainsbury	1,100	291½	-½
Argyll Group	3,000	241	-1	Eng. China Clays	1,300	450	+6	Lucas	7,600	682	-11	Scott & Newcastle	2,800	374	-4
Ass. Brit. Foods	38	389		Enterprise Oil	543	579	-7	MB Group	1,000	216	-4	Sears	2,900	127½	-1½
BAA	1,700	352	-8	FKI	1,900	127	-1	MEPC	94	585	+1	Shell Transport	5,900	428	+½
BAT Inds.	658	837	-6	Fisons	1,600	353	+5	Marks & Spencer	2,100	216	-1	Siebe	660	544	+9
BET	1,450	312½	+½	General Accident	245	1035	-5	Maxwell Comm.	514	188	-4	Slough Ests.	70	378	-2
BICC	622	550		General Elect.	2,300	266	+2	Midland Bank	4,600	370	+6	Smith & Nephew	2,700	139½	-½
BOC	372	529	-½	Glaxo	1,200	1569	+11	Nat. West. Bank	3,580	362	+2	SmithKline Beecham	2,275	599	+7
BPB Inds.	1,300	243	-2	Globe Inv	46	197½	-½	Next	1,500	134½	-½	Smiths Industries	3,300	300½	-1½
BTR	2,700	477	+1	Glynwed Int.	580	313		Northern Foods	41	352		Standard Chartered	468	555	-8
Barclays	2,000	542	-3	Granada	794	355	-2	Pearl	145	514	-2	Storehouse	1,100	144	-4
Bass	1,200	1076	-4	Grand Met.	808	628	-2	Pearson	459	781	+6	Sun Alliance	362	325	-4
Blue Circle	3,775	239	-10	GUS A	58	1183	-2	P & O	1,500	672		T&N	257	254	-3
Boots	1,400	301	-1	GRE	982	224	-8	Pilkington	2,300	257		TSB	3,600	114	
Brit. & Comm.	592	169	-1	GKN	1,000	456	-7	Plessey	707	266		Tarmac	1,400	278	-2
Brit. Aerospace	1,800	697	+13	Guinness	692	588	+4	Polly Peck Intl.	1,700	312	+5	Tate & Lyle	331	278	-1
British Airways	14,000	211	+2	Hammerson 'A'	81	794		Prudential	1,200	209	-2	Taylor Woodrow	696	281	-4
British Gas	4,000	204½		Hanson	5,300	230	+½	RHM	1,200	456	-4	Tesco	1,800	212½	-½
British Land	64	381	+1	Harrisons & Cros.	1,400	175	+1	RMC	621	707	-2	THORN EMI	686	846	-5
BP	7,900	302½		Hawker Siddeley	1,100	748	+1	RTZ	2,400	554	-3	Trafalgar House	723	393	+5
British Steel	6,900	77¼	-1	Hillsdown Hldgs	2,500	305	-1	Racal	6,760	223	+8	Trusthouse Forte	1,600	341	-3
British Telecom	2,400	262	+2½	IMI	266	237	-2	Rank Org.	3,100	933		Ultramar	1,800	339	
Burmah Oil	455	652	+7	Imp. Chem.	588	1313	-6	Reckitt & Colman	121	1247	-6	Unilever	2,000	669	+1
Burton	999	262	+1	Inchcape	358	286	-2	Redland	1,700	535	-4	United Biscuits	1,100	398	-6
Cable & Wireless	2,100	576	-2	Jaguar	967	407		Reed International	1,500	455	-5	Utd. Newspapers	228	495	-2
Cadbury Schweppes	996	414	-3	Kingfisher	1,200	340	-1	Reuters	214	969	+2	Wellcome	1,000	710	+17
Carlton Comms.	466	878	-17	Ladbroke	2,300	326	+2	Rolls Royce	6,600	191½	+5½	Whitbread 'A'	526	391	+1
Commercial Union	1,300	413	-7	Land Securities	712	587	+2	Rothmans	419	670	+2	Williams Hldgs.	205	269	
Cons. Gold Fields	18	1480		Laporte	139	567	-6	Royal Bk of Scotland	217	451	-1	Wimpey	691	266	+1

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (91).
BRITISH FUNDS (1) LOANS (3) AMERICANS (5) CANADIANS (1) BANKS (1) BREWERS (2) BUILDINGS (3) CHEMICALS (2) STORES (4) ELECTRICALS (7) ENGINEERING (3) FOODS (2) INDUSTRIALS (12) Assoc. Nursing Servs., BTR Nylex, Brierley, CMB Pack., Crean (J), Ensor, Fletcher Chinge, Macarthy, Macfarlane, Portmeirion Pots, Russel (A), Smithkline Beecham "A", LEISURE (2) TEXTILES (1) TRANSPORT (2) TRUSTS (13) OILS (6) OVERSEAS TRADERS (1) MINES (7) THIRD MARKET (3).

NEW LOWS (47).
CANADIANS (1) BANKS (1) BUILDINGS (12) STORES (2) ELECTRICALS (4) ENGINEERING (1) INDUSTRIALS (9) Beazer, Betacom, Sibby (J), Diploma, Dolphin Pack, Eng. China Clays, Oakwood, Third Mile Inv., Triangle Tst., INSURANCE (2) LEISURE (1) MOTORS (2) PAPERS (2) PROPERTY (3) TEXTILES (2) TRUSTS (2) OILS (1) MINES (1) THIRD MARKET (1).

FT LAW REPORTS

'National security' and foreign takeovers in the United States

By Robert A. Skitol and Richard B. Nash Jr

Prospective overseas investors in the US economy are wondering whether opponents of foreign investment have now gained a substantial foothold in US government policy.

Do the regulations recently proposed by the US Treasury to implement the so-called Exon-Florio Amendment signal the government's intention to get tough on foreign investments deemed to affect US "national security"?

The short answer is probably no. Since last year when Congress passed Exon-Florio out of concern that US industries or products of importance to national defence might fall under foreign control, the President has had authority to block mergers, acquisitions and takeovers by foreign businesses of American firms where foreign control could "threaten to impair the national security."

All such transactions not closed before Exon-Florio's enactment on August 23, 1988, are potentially subject to this law.

So far, the President has blocked none of the handful of transactions referred to him for review. But Exon-Florio review could soon be as much of a hurdle to overcome as Hart-Scott-Rodino anti-trust clearance for some foreign companies contemplating US investments.

One reason is that the draft regulations, which are subject to public comment until September 12, fail to resolve questions and ambiguities that have existed since the new law gave the Committee on Foreign Investments in the US (CFIUS) broad power to screen certain foreign-US transactions.

The fact that key aspects of CFIUS's vast discretionary authority are still undefined means at a minimum that Exon-Florio will quickly become a serious consideration in transnational merger planning.

Although the proposed rules provide that notice to the government of planned or pending transactions is "voluntary," the consequences of ignoring Exon-Florio can be severe. An "unnoticed" transaction later found to threaten national security could be subject to divestment even years later.

Under Exon-Florio, notice may be provided by any party to a transaction, including the Departments of Defence and Commerce, represented on CFIUS.

Once CFIUS receives notice, it has 30 days in which to decide whether to conduct an additional 45-day formal investigation.

CFIUS automatically refers formally-investigated transactions to the President who has an additional 15 days to act if (a) there is credible evidence that a foreign interest exercising control of a US entity might take action that threatens to impair national security, and (b) no other laws provide "adequate and appropriate" protection. Presidential findings are not reviewable by the courts.

What guidance is there for parties to a possible transaction that could raise national security implications?

First, it is important early in the planning stages for parties to consider whether the transaction could be subject to Exon-Florio's reporting requirements.

One potential pitfall is that neither Exon-Florio nor the proposed rules define "national security." At the same time, the rules may provide some US targets of hostile foreign takeovers a chance to prompt on "national security" grounds a government inquiry that could disrupt any unwelcome hostile transactions.

Congress apparently intended that "national security" be interpreted broadly and "without regard to particular industries." Thus, parties should consider whether the US firm to be acquired has contracts to supply classified products or expertise to the US government or has classified subcontracts with firms that do.

Unfortunately, CFIUS has specifically avoided any mechanical test for determining when a foreign entity has gained "control" of a US business, and has made no reference to the functional tests for control developed over the years by other US federal agencies.

However, not all national security-related transactions are covered by Exon-Florio. Foreign acquisitions of American businesses operating entirely outside the US and foreign investments in new or "greenfield" entities which are not ongoing businesses are excluded.

Still, the draft rules on "control" do subject a rather broad range of transactions to Exon-Florio treatment. Included are mergers, acquisitions or takeovers that could result in foreign "control" of a US entity; tender offers by a foreign person to purchase more than 10 per cent of the shares of a US firm; proposed or completed acquisitions of US companies by US subsidiaries of foreign interests; and even joint ventures that could result in foreign control over a US entity.

Certain financings by foreign lenders could raise Exon-Florio problems. Foreclosure of a security interest could trigger the law's notice provisions if the result is transfer of control to a foreign bank or lender.

Another potential pitfall for unwary investors is CFIUS's suggestion that a series of transactions between the same parties may result in multiple Exon-Florio reviews.

CFIUS may reject the parties' Exon-Florio notice after submission if there is a material change in the transaction. For example, a foreign company, having cleared Exon-Florio review to acquire a controlling minority share in a US company, may be forced to undergo the process a second time when it increases its share of the company to 51 per cent.

Indeed, CFIUS's tentative conclusion that a foreign investor's proxy solicitation is a "takeover" if the solicitation "could result in control of a US person" seems unnecessarily broad, as most proxies are temporary and limited.

Assuming that a particular transaction is subject to Exon-Florio's notice provisions, parties must decide when to file the notice. Because the Exon-Florio process does not replace other national security requirements, such as export control and defence security regulations, the CFIUS staff recommends that parties should not submit formal notice until they are convinced they have resolved all clearance issues with CFIUS member agencies.

Otherwise, CFIUS may later initiate a 45-day investigation (and a 15-day presidential review period) rather than let the transaction proceed.

Parties to a potentially difficult transaction might consider at an early stage steps that could be taken to restructure the deal to address governmental concerns and possibly avert the full 90-day Exon-Florio process.

Without early consideration of such a solution, a foreign investor may be forced after 90 days either to divest a US firm's high-technology division at a sale price significantly below market value or to abandon the transaction altogether.

An early adjustment might also preclude Exon-Florio notice entirely, which could be particularly appropriate where it appears likely that a disgruntled competitor or other third party may try to use Exon-Florio to disrupt the deal.

Exon-Florio is a potential tool for mischief in the hands of competitors, suppliers, or hostile congressmen who may try to persuade CFIUS member agencies to stop a proposed transaction.

US companies faced with unfriendly takeovers may attempt to use Exon-Florio as the latest weapon to fend off an unwanted acquisition or tender offer by a foreign investor.

A targeted US company is likely to notify CFIUS member agencies as soon as possible concerning any of its corporate activities that relate even remotely to national security, and will try to persuade CFIUS staff to commence a full investigation.

Conversely, a hostile foreign buyer will ordinarily file as complete a notice as possible, especially where the US firm's representations about national security importance can be counteracted or explained.

Although Exon-Florio's regulations are still in draft form, overseas investors contemplating transactions involving US firms will want to examine the rules closely.

While it is unlikely that many transactions will be blocked by Exon-Florio, it is likely that for many firms even tangentially involved with US national security, Exon-Florio will become a significant consideration.

The authors are lawyers in the Washington office of Pepper, Hamilton & Scheetz.

APPOINTMENTS

London & Edinburgh Insurance changes

■ LONDON & EDINBURGH INSURANCE GROUP has appointed Mr Ray Riseborough as managing director, reinsurance and marine; Mr Michael Wendt as investment director; and Mr Terry Bishop as director, management services. Mr David Macmillan has been appointed personnel director of London & Edinburgh Insurance Company. Mr John Daly becomes director international treaty; Mr Peter Cullum director commercial lines sales & marketing; and Mr Peter Thompson director commercial lines underwriting, at Excess Insurance Company. Mr Martin Pitt has been made director, underwriting, finance and life, at London & Edinburgh Life Assurance Company.

■ Mrs Doreen Perks, who joined GKN OCCUPATIONAL HEALTH as general manager for sales and marketing early this year, has been appointed to the board. The company, part of GKN, provides a range of health, safety and environmental hygiene services to organisations in industry and commerce. Before joining GKN Mrs Perks was with BUPA.

■ Mr Victor Haughff, former chief general manager of Norwich Union Group, has been appointed a director of CONGREGATIONAL & GENERAL INSURANCE from September 20.

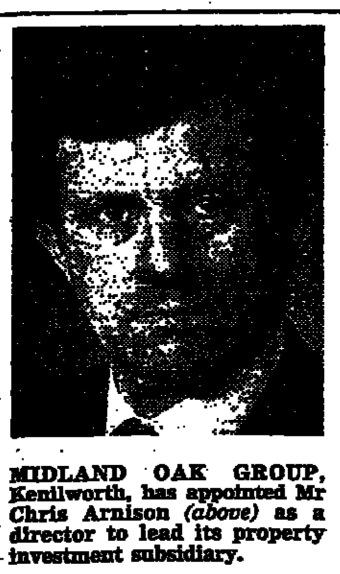
■ Mr Alan Hindley has been appointed general manager of the newly-formed visual systems group at TEKTRONIX UK. He was marketing director.

■ Mr Stephen Bassi has been appointed head of proprietary trading at MIDLAND MONTAGU. Mr Nigel Coupland becomes head of research and development. Mr Michael Janes is to be head of interbank trading, and Mr Simon Welham becomes head of commercial trading. The company is the international and investment banking arm of Midland Group.

■ SCHOLES GROUP has appointed Mr Philip Acton as group financial controller. He was finance director of Wylex, and will remain a director.

■ Mr Nick Hawkins has been appointed group legal adviser to LLOYDS ABBEY LIFE, Weybridge. He was company legal adviser to Access.

■ MAINMET HOLDINGS, Bradford, has appointed Mr Gerald Atkins as group deputy chairman. He was director, special projects division.



MIDLAND OAK GROUP, Kenilworth, has appointed Mr Chris Arnison (*above*) as a director to lead its property investment subsidiary.

■ OSCAR FABER & PARTNERS, Altrincham, has appointed Mr Gareth Jones and Mr Nigel McConnell to the board from October 1.

■ Mr Nigel Hugill has been appointed to the board of CHELSFIELD. He was a senior assistant director of corporate finance at Morgan Grenfell.

■ Mr Edwin Gair, managing director of Vickers Group subsidiary Mitchell Bearings, has been appointed managing director of COOPER ROLLER BEARINGS, King's Lynn.

■ Mr Ralph Jackson has been appointed group marketing director with PIMS INTERNATIONAL.

■ Mr John Gilbert has been appointed director of operations, and Mr Eric Atkins director of marketing at SIMON PROJECT MANAGEMENT, a newly-formed operation within the Simon Group's engineering contracting division. Mr Gilbert was divisional director of Balfour Beatty Projects, and Mr Atkins has transferred from Simon-Carves where he was divisional director, business development.

Mr Colin Cook (*above*), general manager, BRITISH TELECOM's UK commercial sector, has been appointed district general manager, West of Scotland. He replaces Mr Doug Soutar who is retiring. Mr Cook is the first sales professional to be appointed to this level in BT.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs Ltd (1000)H

[illegible]

Global Asset Management (1200)F

12 St James's Place, London SW1 01-493 9990

[illegible]

Lloyds Bk Unit Tst Mngrs Ltd—Contd.

[illegible]

Midland Unit Trusts Ltd—Contd.

[illegible]

MIM Britannia Unit Tst Mngrs Ltd (1000)H

[illegible]

Prudential Holborn Unit Tsts Ltd (1445)H

51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377

[illegible]

Smith & Williamson Unit Tst Mngrs (1000)F

[illegible]

Sovereign Unit Tst Mngrs Ltd (1000)F

[illegible]

Metropolitan Unit Trust Mngrs Ltd (1000)F

3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Eurogrowth Plus	6	67.34	67.98	72.32	-0.08	0.66
Global Growth	5¼	46.77	46.88	49.87	-0.22	0.50
Global Income Acc	5¼	59.41	59.97	63.80	-0.58	3.13
Do Income	5¼	55.66	56.18	59.77	-0.55	3.35
Sunrise Accum	6	66.83	68.15	72.50	-0.08	0.00
UK Growth Acc	5¼	60.64	61.83	65.78	-0.37	1.52
UK Income Acc	5¼	73.79	75.59	80.41	-0.43	3.73
Do Income	5¼	69.46	71.15	75.69	-0.41	3.96

Midland Unit Trusts Ltd (1200)F

192 Eyre Street, Sheffield, S1 3RD 0742 529888

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
British Tst	6	62.85	63.22	67.61	-0.11	2.22
(Accum Units)	6	63.88	64.24	68.71	-0.11	2.22
Capital	6	126.6	126.6	135.4	-0.2	2.04
(Accum Units)	6	183.2	183.2	195.9	-0.4	2.04
European Growth	6	140.0	140.0	149.1	-0.1	0.54
(Accum Units)	6	172.3	172.3	183.6	-0.1	0.54
Extra High Inc	6	73.32	74.27xd	79.43	-0.13	6.38
(Accum Units)	6	100.5	101.8	108.9	-0.2	6.38
Gilt & Fxd Inc	4	52.01	52.01	54.27	.....	9.09
(Accum Units)	4	104.3	104.3	108.9	.....	9.09
High Yield	6	217.1	219.8	235.1	-0.4	4.78
(Accum Units)	6	418.4	423.6	453.1	-0.8	4.78
Income	6	257.7	260.4xd	278.5	-0.9	3.32
(Accum Units)	6	466.2	470.7	503.4	-1.7	3.32
Intl High St UT	6	59.60	59.60	63.74	-0.32	1.19
(Accum Units)	6	61.43	61.43	65.70	-0.34	1.19
Japan Growth	6	390.3	390.3	417.6	-5.7	0.00
(Accum Units)	6	410.2	410.2	439.0	-5.9	0.00
Mandarin Tst	6	59.97	60.01	64.18	+0.05	0.77
(Accum Units)	6	60.46	60.50	64.71	+0.05	0.77
Mngd P'folio Acc	6	74.51	75.13	80.35	-0.35	1.76
Money Market UT	4	49.33	49.33xd	51.31	+0.01	10.09
North American	6	132.3	132.3	141.5	-2.5	0.22
(Accum Units)	6	163.4	163.4	174.8	-3.0	0.22
Smaller Cos	6	187.1	187.1xd	200.1	.....	1.45
(Accum Units)	6	208.2	208.2	222.7	-0.1	1.45
Meridian Income	6	113.3	114.4	122.3	-0.6	3.21
(Accum Units)	6	117.5	118.6	126.8	-0.6	3.21
Meridian Growth	6	126.4	127.3	136.1	-0.6	1.83
Midland Personal Pension Unit Trust *						
British	6	63.53	64.23	68.33	-0.11	2.24
European Growth	6	63.89	64.00	68.08	-0.04	0.54
Gilt & Fixed	6	51.37	51.38	54.66	.....	8.27
Income	6	58.59	59.45	63.24	-0.21	3.32
Japan Growth	6	57.18	57.52	61.19	-0.82	0.00
Managed	6	58.72	59.52	63.32	-0.27	1.77
Money Market	4	53.92	53.92	57.16	+0.01	9.85
North American	6	61.84	62.90	66.91	-0.38	0.22
Midland FSAVCS Unit Trust *						
British	6	59.92	60.57	64.44	-0.1	2.25
European Growth	6	62.30	62.40	66.38	-0.04	0.54
Gilt & Fixed Int	6	50.53	50.44	53.77	.....	9.12
Income	6	59.57	60.43	64.29	-0.21	3.32
Japan Growth	6	59.45	59.78	63.60	-0.83	0.00
Managed	6	57.80	58.59	62.33	-0.27	1.76
Money Market	6	51.94	51.94	55.06	+0.01	9.87
North American	6	62.26	63.26	67.30	-0.36	0.22

Perpetual Unit Tst Mngmt (1200)F

48 Hart Street, Henley on Thames 0491 576868

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
International Gwth	5½	370.62	370.62	396.59	-3.06	1.44
Income	5	259.81	259.81	277.65	-0.79	4.09
W'wide Recovery	5½	222.13	222.13	237.58	-0.46	1.45
American Growth	5½	98.63	98.63	105.42	-0.34	1.35
Intl Emerging Cos	5½	96.79	96.79	103.52	-0.01	0.92
Far East Gwth	5½	132.66	132.66	141.89	-0.26	2.00
European Gwth	5½	93.35	93.68	100.20	-0.60	1.10
UK Growth	5½	48.52	48.52	51.90	-0.21	2.66
High Income	5½	59.78	59.78xd	63.94	-0.12	5.85
Japanese Gwth	5½	133.16	133.16	142.96	-0.40	0.01

Phillips & Drew Unit Managers Ltd

14 Finsbury Square, London EC2A 1PD 01-628 4070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Charities Fxd Int		102.1	102.1	102.2	+0.01	9.3
Charities Ind Lkd		106.0	106.0	106.2	+0.4	2.3
UK Exempt		113.7	113.7	115.8	.....	4.1
Charities Intl		117.9	117.9	120.0	.....	2.2

Prolific Unit Tst Mngrs Ltd (1200)H

222 Bishopsgate, London EC2 01-247 7544/7

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Income	5	67.35	67.92xd	72.34	-0.3	3.71
Conv & Gilt	5	130.7	132.0xd	140.8	-0.4	6.05
Euro Gwth & Inc	5	53.93	54.33xd	58.10	-0.02	1.91
Extra Income	5	147.5	148.6	158.8	-0.3	4.57
Far East	5	258.7	259.3	275.6	-1.8	0.01
High Income	5	95.76	96.50	103.1	-0.2	4.29
International	5	157.5	158.2	168.2	+1.1	0.65
Nth American	5	162.6	164.2	175.7	-0.5	0.01
Pref & Fxd Int	5	47.04	47.98xd	51.04	+0.48	8.40
Special Sits	5	119.1	120.5	128.9	-0.2	0.36
Technology	5	141.6	143.0	152.6	-1.8	0.44

Providence Capital Fd Mngrs Ltd (1000)H

30 Uxbridge Road, London W12 8PG 01-749 9111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Worldwide Inc	5	107.20	107.20	114.60	-0.1	0.29
Worldwide Acc	5	111.70	111.70	119.50	-0.2	0.29
UK Equity Inc	5	81.42	81.42	87.30	-0.61	2.82
UK Equity Acc	5	89.80	89.80	96.29	-0.67	2.84
European Inc	5	123.60	123.60	132.90	+0.3	0.55
European Acc	5	128.00	128.00	137.70	+0.3	0.55
Nth American Inc	5	69.66	69.66xd	74.00	-0.65	1.33
Nth American Acc	5	72.51	72.51xd	77.10	-0.66	1.34
Japan Inc	5	122.60	122.60	131.40	-0.9	0.00
Japan Acc	5	122.80	122.80	131.70	-0.9	0.00
UK High Inc Eq Inc	5	74.53	74.53xd	80.40	-0.75	5.62
UK High Inc Eq Acc	5	84.69	84.69xd	91.36	-0.86	5.62
Hong Kong Inc	5	41.11	41.11xd	43.96	-0.12	3.07
Hong Kong Acc	5	42.95	42.95xd	45.82	-0.13	3.07
Swiss Equities Inc	5	40.20	40.20	43.09	-0.59	1.09
Swiss Equities Acc	5	40.54	40.54	43.47	-0.59	1.09
W'wide Bond Inc	5	53.32	53.32	56.39	-0.08	5.73
W'wide Bond Acc	5	55.06	55.06	58.14	-0.08	5.73
Emerging Asia Inc	5	91.52	91.52	98.06	+0.13	0.00
Emerging Asia Acc	5	91.52	91.52	98.06	+0.13	0.00
UK Money Mkt Inc	0	50.00	50.00	50.00	.....	13.00
UK Money Mkt Acc	0	50.00	50.00	50.00	.....	13.00

Provident Mutual Unit Tst Mgrs Ltd (0905)H

25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	125.8	127.4	135.5	-0.4	2.56
PM Income & Gth	5	105.6	106.6	113.3	-0.3	3.36
PM Nth Amer Gth	5	61.35	61.35	65.26	-0.67	1.15
PM European Gth	5	61.22	61.41	65.32	-0.32	0.68
PM Japan Gth	5	80.54	80.67	85.81	-0.82	0.29
PM Overseas Gth	5	56.89	56.89	60.52	-0.49	0.43

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GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Convrtbl & Equity	5	64.19	67.56	71.66	-0.05	6.63
European	5	76.29	76.33	81.43	+0.4	0.09
Far Eastern	5	64.98	66.25	70.47	+0.35	0.62
Growth Inc	5	89.90	93.40	99.36	-0.25	1.37
Growth Acc	5	89.90	93.40	99.36	-0.25	1.37
Income Inc	5	84.73	87.24xd	92.81	-0.11	4.58
Income Acc	5	84.84	87.34xd	92.91	-0.12	4.58
Property Share	5	55.79	55.79	59.46	-0.14	0.99
Smaller Co's	5	59.36	59.84	63.84	-0.21	1.50
Nth American	5	69.35	69.35	74.17	-0.77	1.48
International	5	50.35	50.35	53.85		1.38
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	116.34	116.34	121.34	+1.45	3.86
UK Growth	5	95.00	95.00	100.00	—	3.00
UK Income	5	95.00	95.00	100.00	—	4.50
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5½	64.99	67.39	71.69	-0.26	2.53
YHM UK Equity Inc Tst	5½	62.45	64.68	68.81	-0.11	3.74
YUTM Intl Gwth Tst	5½	53.86	53.86	57.40	-0.60	0.77

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt June 7	485.3	503.8		—
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund July 31		558.95	—	4.65
Fxd Int Sec July 31		142.09	—	10.07
Deposit July 31		100.00	—	13.25
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc Aug 23	169.6	173.9xd	-4.00	10.06
C'inco Acc Aug 23	696.9	713.5xd	+0.80	10.06
C'share Inc Aug 23	162.4	166.5xd	-1.2	3.98
C'share Acc Aug 23	179.7	186.4xd	-0.1	3.98
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income July 31		516.04	—	4.79
Accum July 31		1714.96	—	—
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American Aug 30	158.9	163.3	+4.6	1.37
Managed Aug 30	145.6	151.1	+1.5	1.91
Japan Aug 31	147.3	151.4	-2.8	0.14
Pacific Aug 25	492.0	505.5	+6.3	0.20

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Surplus Metro	136.8	144.0	—	—
UK Metro	125.2	131.7	—	—
N Am Pn Fd Acc(z)	276.1	290.6	—	—
Pac Basin Fd Acc(z)	196.9	207.2	—	—
Property(z)	601.4	633.0	—	—
Mlt-ple Inv Pens Acc(z)	1548.2	1629.7	—	—
Broker Funds				
Prof. Pen. Fd	101.8	107.1	—	—
YRA Strategy	126.5	139.1	—	—
YRA Performance	108.7	114.5	—	—
Laughton Dollar (SE)	144.3	151.8	—	—
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	265.2	279.2	+0.1	—
Equity Acc	915.4	963.6	+3.6	—
Property Acc	510.5	537.4	+1.4	—
Far East Acc	215.6	227.0	-0.4	—
European Acc	25.0	26.4	+0.1	—
Managed Acc	715.8	753.5	-2.2	—
Managed Cap	404.9	426.3	-1.2	—
O'seas Earnings Acc	609.7	641.8	-3.1	—
Gilt Edged Acc	321.7	338.7	-0.7	—
American Equity Acc	492.7	518.7	-4.6	—
American Man.Acc	227.4	239.4	-2.0	—
American Prop Acc	150.1	158.0	-1.0	—
Pen F.I. Dep.Cap	292.7	308.2	—	—
Pen. F.I. Dep Acc	505.4	532.0	+0.2	—
Pen. Prop. Cap	598.5	630.0	+2.7	—
Pen. Prop. Acc	1141.2	1201.3	+5.0	—
Pen. Man. Cap	887.4	923.6	-6.0	—
Pen. Man. Acc	1671.5	1759.5	-11.2	—
Pen.Gilt Edg. Cap	321.1	338.0	-0.7	—
Pen. Gilt Edg. Acc	500.3	526.7	-1.0	—
Pen. Eq. Cap	1453.5	1530.1	-12.4	—
Pen. Eq. Acc	2098.8	2209.3	-17.8	—
Pen. Am. Eq Cap	167.0	175.8	-1.6	—
Pen. Am. Eq Acc	203.2	213.9	-1.9	—
Pen. Far East Cap	255.8	269.3	-1.9	—
Pen. Far East Acc	311.4	327.8	-2.2	—
Pen. Euro Cap	29.6	31.2	—	—
Pen. Euro. Acc	32.5	34.1	-0.1	—
Pen. B.S. Acc	555.3	585.1	+0.2	—
Pen. B.S. Cap	330.8	347.4	+0.1	—
Pen. D.A.F. Acc	388.3	408.3	+0.1	—
Pen. D.A.F. Cap	259.7	259.7	+0.1	—
Pen. Mortgage Cap	148.9	156.8	—	—
Pen. Mortgage Acc	181.3	190.9	+0.1	—
Barings Funds				
Pen Eqn Cap	30.6	32.3	-0.1	—
Pen Eqn Acc	32.2	33.9	-0.1	—
Pen Am Eq Cap	36.9	38.9	-0.1	—
Pen Am Eq Acc	38.7	40.8	-0.1	—
Pen Far East Cap	33.9	35.7	-0.1	—

INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	131.0	138.0	−1.0	–
Building Soc. Fd	173.0	183.0	.....	–
Balanced	291.0	307.0	−1.0	–
European	188.0	198.0	−1.0	–
GT Managed	189.0	199.0	.....	–
Gartmore Mngd	128.0	135.0	.....	–
German	135.0	143.0	−1.0	–
Gilt	183.0	193.0	.....	–
Global	50.0	53.0	.....	–
High Inc	120.0	127.0	.....	–
International Equity	203.0	214.0	−1.0	–
Japan	264.0	278.0	.....	–
Managed	64.0	68.0	.....	–
Property	288.0	304.0	.....	–
R W Imperial Gold	152.0	160.0	.....	–
UK Equity	367.0	387.0	−1.0	–
Pension Funds				
American	155.0	164.0	.....	–
Building Soc. Fd	175.0	185.0	.....	–
Balanced	227.0	239.0	.....	–
European	189.0	199.0	.....	–
German	118.0	125.0	.....	–
Gilt	158.0	167.0	.....	–
International Equity	149.0	157.0	.....	–
Japan	146.0	154.0	.....	–
Managed	67.0	71.0	−1.0	–
Property	221.0	233.0	.....	–
UK Equity	336.0	354.0	−1.0	–

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232923

Pensions Managed Fund	97.02	102.58	.....	–
Pensions Cash Fund	79.31	83.49	.....	–

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733

Managed Fund see Balanced Growth Managed Fund

Life Funds				
Balanced Gwth Mngd	625.0	658.6	+0.4	–
Adventurous Mngd	135.8	143.1	−0.3	–
Secure Mngd	113.6	119.8	+0.4	–
Cash Fd	236.8	249.6	.....	–
Property Fund	292.6	311.3	.....	–
Equity Fund	709.7	747.9	+0.5	–
Fxd. Int. Fund	304.0	320.4	+0.3	–
International	320.8	341.3	+2.1	–
High Income	435.5	516.5	−0.9	–
Far East	398.5	424.0	−4.3	–
North American	301.7	318.0	−0.8	–
Special Sits	660.4	702.6	−1.0	–
Technology	259.1	275.7	−2.5	–
Extra Inc Fd	295.0	313.9	−0.6	–
Convertible & Gilt Fd	160.5	170.8	+0.3	–
American Income	140.4	148.0	−0.5	–
Gilt Fund 20	306.6	326.2	−0.6	–
European Fund	110.7	116.7	.....	–
Pref & Fixed Int	102.4	109.0	+1.0	–
Pension Funds				
Balncd Gth Mgd Pens Acc	600.9	632.6	+0.1	–
Adventurous Mgd Pens Acc	131.7	138.7	−0.3	–
Secure Mngd Pens Acc	112.8	118.8	+0.5	–
Building Soc Acc	247.5	260.6	.....	–
Property Pens. Acc	299.3	315.1	.....	–
Fix Int Pens. Acc	426.6	449.1	−1.0	–
Equity Pens Acc	797.6	839.6	+0.5	–
International Pens Acc	298.5	314.3	+2.1	–
High Inc Pens Acc	526.0	553.7	−1.1	–
Tech Pens Acc	169.5	178.5	−2.1	–
N American Pens Acc	204.9	215.7	−0.6	–
Far Eastern Pens Acc	423.6	445.9	−2.9	–
Special Sits Pens Acc	548.8	577.7	−0.9	–
Extra Income Pens Fd	356.1	374.9	−0.7	–
Convertible & Gilt Pen	178.9	188.4	+0.5	–
American Inc Pens	153.9	162.1	−0.6	–
European Pens	116.8	123.0	.....	–
Managed Cash Pens	113.3	119.3	.....	–
Pref & Fixed Pens	106.1	111.7	+1.0	–
Other Funds				
Acorn Managed Fund	175.1	184.4	−0.6	–
Portfolio 2000	165.7	174.5	−0.3	–
Buxton Intnl Managed	110.3	116.2	−0.2	–
PBM Man Gwth & Inc	114.3	120.4	−0.2	–
DWC Growth & Income	118.2	124.5	.....	–

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	596.3	627.7	−2.2	–
Equity	868.2	913.9	−5.3	–
Global Equity	258.2	271.8	−1.7	–
Fixed Interest	416.9	438.9	+0.8	–
Property	401.7	422.9	.....	–
Cash	160.3	168.8	+0.1	–
Index Linked Gilt	205.8	216.7	+0.2	–
Guaranteed	12.56		.....	–
International Money	205.9	216.8	−0.1	–
North American	84.0	88.5	−0.7	–
Japanese	149.4	157.3	−1.1	–
European	104.4	109.9	.....	–
Special Situations	123.6	130.2	−0.7	–
Communications	111.9	117.8	−0.3	–
Smaller Companies	116.0	122.2	−0.5	–
International Small Cos	144.7	152.4	−0.4	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-548 3281

Discretionary Aug 23	£166.30	172.12	.....	–
Equity Aug 23	£184.09	191.08	.....	–
International Aug 23	£28.00	28.92	.....	–
Intl Bond Aug 23	£12.73	12.91	.....	–
Fixed Int Aug 23	£74.56	75.56	.....	–
Index Linked Aug 23	£63.99	64.78	.....	–
Property Aug 23	£113.88	120.56	.....	–
Cash Aug 23	£21.4097	21.4097	.....	–
Pru-Linked Retirement Plan				
Managed Aug 22	403.5	420.4	.....	–
Cash Aug 22	201.0	209.4	.....	–
Prudential Pensions Investment Account				
Pens Mngd Aug 30	162.3	174.4	−0.6	–
Pens UK Eq Aug 30	313.9	338.7	−3.5	–
Pens Intl Aug 30	194.9	209.6	−0.4	–
Pens Fixed Aug 30	171.6	181.2	−0.5	–
Pens Index Lk Aug 30	163.7	172.8	−0.1	–
Pens Cash Aug 30	131.5	138.6	+0.4	–

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

Aggressive Ptflo Fd	124.6	131.1	−0.4	–
Balanced Ptflo Fd	326.7	343.8	−0.8	–
Cautious Ptflo Fd	124.4	130.9	−0.1	–
Elite Fund	118.2	124.4	−0.9	–
European Fund	93.5	98.4	+0.2	–
Far East Fund	109.3	115.0	−0.6	–
Fixed Interest Fund	245.0	257.8	.....	–
International Fund	289.3	304.5	−1.0	–
Money Fund	179.3	188.7	.....	–
N. American Fd	128.6	135.3	+1.0	–
Property Fund	422.1	444.3	−0.4	–
UK Equity Fd	402.1	423.2	−1.7	–
A.J.M. Brown Digby Fd	99.2	104.4	−0.1	–
Swim Select Invs	116.1	122.2	−0.2	–
Chart Safety First Bd	110.1	115.9	−0.1	–
Exec Master Fd	101.6	106.9	−0.6	–
Hardwick Growth Fd	111.2	117.1	.....	–
Bentley Haig LR Port	108.3	114.0	.....	–
Milbourne Spec Port	121.8	128.2	.....	–
Swim Global Fd	118.9	125.2	.....	–
Hardwick Tst Fd	72.5	76.3	.....	–

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

Deposit Acc Fd	126.0	132.7	+0.1	–
Equity Acc Fd	334.9	352.6	−2.3	–
Managed Acc Fd	296.5	312.1	.....	–
Prop Fd (1st Issue)	–	569.2	.....	–
Prop Acc Fd (2nd Iss)	179.3	188.7	.....	–
Unit Trust Mn. Fd	124.9	131.5	.....	–
RL Pension Funds				
Deposit Acc	165.1	173.8	.....	–
Equity Acc	255.0	268.5	.....	–
Fixed Int Acc	163.5	172.1	.....	–
Gilt Indx Lnk Acc	142.9	150.4	.....	–
Managed Acc	295.8	311.4	.....	–

Royal Heritage Life Assurance Ltd
20 Clifton St, EC2A 4HX 01-920 0202/0733 262524

Multi Gwth		907.21	.....	–
Multi Gwth "A"	507.3	534.0	.....	–
Op Prop	437.0	460.0	.....	–
Op Equity	825.6	869.1	−5.0	–

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

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FT UNIT TRUST INFORMATION SERVICE

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99½	95¾	Treas 10pc 1992	98¼	+⅛	10.20	10.91
94⅛	91	Treas. 8pc 1992 ‡‡	93½	+⅛	8.56	10.93
100⅝	96¾	Treas 10½pc Cv 1992‡‡	99⅜	+⅛	10.59	10.83
85⅝	82⅛	Treas. 3pc 1992	85⅜	+⅛	3.51	9.03
105½	101¼	Exch. 12¼pc '92	103⅜	+⅛	11.84	10.83
109⅝	104⅜	Exch 13½pc 1992	107⅛	+⅛	12.61	10.73
94⅞	90½	Treas 8¾pc 1993	93¼	+⅛	8.85	10.61
100⅛	95⅝	Treas 10pc 1993‡‡	98⅜	+⅛	10.15	10.47
108⅝	103½	Treas 12½pc 1993‡‡	106⅛	+⅛	11.78	10.51
88⅛	84⅛	Funding 6pc 1993‡‡	87⅜xd	+⅛	6.85	9.78
113⅝	108⅛	Treas 13¾pc 1993‡‡	111⅛	+⅛	12.39	10.43
94⅝	89¾	Treas. 8½pc 1994	93⅛	+⅛	9.14	10.49
117⅜	112⅛	Treas 14½pc 1994‡‡	114⅞xd	+⅛	12.63	10.30
113⅝	107⅜	Exch 13½pc 1994	110⅞	+⅛	12.18	10.47
100⅝	95⅜	Treas. 10pc Ln. 1994‡‡	98⅞	+⅛	10.12	10.31
110¼	104⅞	Exch. 12½pc 1994	107¾	+⅛	11.60	10.46

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
96⅛	91⅛	Treas 9pc 1994‡‡	94⅞	+⅛	9.48	10.27
108⅛	102⅜	Treas 12pc 1995	106⅛	+⅛	11.29	10.43
79⅝	74½	Exch 3pc Gas 90-95	76½	+⅛	3.92	8.07
101⅛	95¼	Exch. 10¼pc 1995	99⅜	+⅛	10.29	10.33
113⅛	107⅛	Treas 12¾pc 1995‡‡	111⅛	+⅛	11.47	10.25
119⅛	112¾	Treas. 14pc '96	116⅛	+⅛	12.02	10.39
97½	91⅛	Treas. 9pc 1992-96‡‡	95½xd	+⅛	9.46	10.02
126⅛	119⅛	Treas 15¼pc 1996‡‡	123⅛	+⅛	12.35	10.28
117⅛	110	Exch 13¼pc 1996‡‡	114¼	+⅛	11.61	10.27
101⅛	94⅛	Conversion 10pc 1996	99	.....	10.10	10.18
118½	110⅛	Treas 13¼pc 1997‡‡	115⅛	.....	11.50	10.24
104⅛	97⅛	Exch 10½pc 1997	101⅝	+⅛	10.34	10.18
95⅛	88¾	Treas 8¾pc 1997‡‡	93¼xd	+⅛	9.38	9.99
128⅝	120⅛	Exch 15pc 1997	124⅛	+⅛	12.01	10.39
100⅛	93⅛	Exch. 9¾pc 1998	98⅛	+⅛	9.94	10.07
84⅝	78⅝	Treas 6¾pc 1995-98‡‡	83	+⅛	8.14	9.70
134⅛	125⅛	Treas. 15½pc '98‡‡	130⅛xd	+⅛	11.87	10.25
113⅛	105⅛	Exch. 12pc 1998	110⅝	+⅛	10.85	10.18
100⅝	93⅛	Treas 9½pc 1999‡‡	98	+⅛	9.70	9.82
115⅞	107½	Exch. 12¼pc 1999	112⅝xd	+⅛	10.88	10.17
105⅝	97⅞	Treas. 10½pc 1999	102⅝	+⅛	10.24	10.07
104⅛	96⅜	Conversion 10¼pc 1999	101¼	+⅛	10.12	10.04
94⅛	86⅞	Treas. 8½pc Ln 2000‡‡	91⅛	+⅛	9.28	9.80
97⅛	90	Conversion 9pc 2000‡‡	94⅛xd	+⅛	9.51	9.82
122⅛	113⅛	Treas. 13pc 2000	118⅛	+⅛	11.00	10.18
103⅝	95⅝	Treas 10pc 2001	100⅛	+⅛	9.94	9.91
124⅛	115½	Treas. 14pc '98-01	120⅛	+⅛	11.62	10.36
102⅛	94⅛	Conversion 9¾pc 2001	99⅛	+⅛	9.83	9.87
113⅛	105½	Exch. 12pc '99-02	110⅛	+⅛	10.88	10.22
104⅛	96⅛	Conversion 10pc 2002	101⅛	+⅛	9.87	9.81
102⅛	94⅛	Treas 9¾pc 2002	99⅛	+⅛	9.77	9.78
97⅛	89⅛	Exch. 9pc 2002	94⅛	+⅛	9.51	9.71
126⅛	117⅛	Treas. 13¾pc 2000-03	122⅛	-⅛	11.20	10.23
105⅝	97⅛	Treas 10pc 2003	102⅛xd	+⅛	9.75	9.67
113⅛	104⅛	Treas. 11½pc 2001-04	109⅛xd	+⅛	10.47	10.04
106⅛	97⅝	Treas. 10pc 2004	103⅛	+⅛	9.71	9.61
59⅞	55⅛	Funding 3½pc '99-04	58⅛	.....	6.04	8.54

BRITISH FUNDS—Contd

Over Fifteen Years

[illegible]

Undated

[illegible]

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
29½	25¼	Treas. 2½pc	27⅛xd	-⅛	9.21	-

Index–Linked

1989 High	Low	Stock (b)	Price £	+ or -	(1)	(2)
112⅛	103⅛	Tr. 2pc '92‡‡(97.8)	112⅛xd	.....	1.78	2.83
105⅛	94⅛	Do. 2 '94 (102.9)	105	.....	2.33	2.90
155⅛	139⅛	Do. 2pc '96(67.9)	154¼xd	.....	2.69	3.08
130⅛	118⅛	Do 2½pc '01(78.3)	130½xd	+⅛	3.16	3.42
127⅛	115⅝	Do. 2½pc '03(78.8)	127⅛	+⅛	3.25	3.48
131⅛	117⅛	Do. 2pc '06(69.5)	131	+⅛	3.31	3.49
123⅛	110⅛	Do. 2½pc '09(78.8)	122⅛	+⅛	3.32	3.49
128	114⅛	Do. 2½pc '11(74.6)	127⅛	+⅛	3.33	3.49
106⅛	95⅛	Do. 2½pc '13(89.2)	106⅛	+⅛	3.31	3.46
115⅛	101⅛	Do. 2½pc '16(81.6)	115⅛	+⅛	3.29	3.43
112⅛	100⅝	Do. 2½pc '20(83.0)	112⅝	+⅛	3.26	3.39
95⅛	84⅛	Do. 2½pc '24‡‡(97.7)	95⅛	+⅛	3.22	3.34

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1988: 110.3 and for July 1989: 115.5.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
108⅛	99½	African Dv Bk 11¼Ln 2010	105⅛	+⅛	10.54	10.45
104⅝	96⅛	Asian Dev Bk 10¼pcLn2009	101⅛	+⅛	10.10	10.07
130⅛	119⅛	Australia 13½pc 2010	125⅛xd	+⅛	10.75	10.46
113⅛	102⅛	Do. 11¾pcLn2015	108⅛	+⅛	10.48	10.41
108⅛	99⅛	Euro Inv Bk 11pc Ln 2002	104⅛	+⅛	10.49	10.31
104⅛	95⅛	Do. 10¼pc2004	100⅛	+⅛	10.29	10.26
119⅛	109⅛	Int-Am Dev Bk 12½pc 2003	114⅛	+⅛	10.93	10.46
99¾	90⅛	Do. 9¾pcLn 2015	96⅛	+⅛	10.13	10.14
97½	91½	Mlysia 10¾pcLn 2009	95xd	.....	11.32	11.39
120	115	Utd. Mexican States 16½pc 2008	115	.....	14.35	14.20

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
102	99½	Birmingham 13½pc 1989	99½	.....	13.57	11.20
111½	102½	Do. 11½pc 2012	107½	.....	10.70	10.60
91	86½	GLC 6¾pc 1990-92	89½xd	.....	7.54	11.70
124½	14½	Leeds 13½pc 2006	121½	.....	11.11	10.72
33	30	Liverpool 3½pc Irred.	30	.....	11.67	-
95½	92	LCC 6¾pc '88-90	95½	.....	7.07	10.90
30	27	Do. 3pc '20 Aft.	28xd	.....	10.71	-
107½	101½	Manchester 11½pc 2007	107½xd	.....	10.70	10.60

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	89	.....	8.15	11.70
206	206	S Rhod 2½pc Non-Asstd.	206	.....	-	-
84½	84½	Do. 4½pc 87-92 Asstd.	84½	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99⅛	99⅛	N'wide Anglia 12⅛pc 18.9.89	99⅛xd	+⅛	12.38	13.74
99⅛	99⅛	Do. 12⅛pc 2.10.89	99⅛	+⅛	12.35	13.23
99⅛	98⅛	Do. 11⅛pc 6.11.89	99⅛	+⅛	11.88	14.13
100	98⅛	Do. 12⅛pc 4.12.89	99⅛	.....	12.39	13.94
100⅛	99⅛	Do. 12⅛pc 2.1.90	99½	.....	12.88	13.95
100⅛	98⅛	Do. 12⅛pc 29.1.90	99⅛	.....	12.65	13.90
100	98¾	Do. 12⅛pc 26.2.90	99⅛	.....	12.77	13.95
100	98⅛	Do. 12⅞pc 19.3.90	99⅛	.....	12.93	13.90
100⅛	99⅛	Do. 13⅛pc 23.4.90	99⅝	.....	13.43	13.83
100	99	Do. 13pc 14.5.90	99⅛	.....	13.08	13.77
100	98⅝	Do. 13⅛pc 4/6/90	99⅛	.....	13.71	13.74
100⅛	100	Do. 14⅛pc 2.7.90	100⅛	.....	14.25	13.62
100⅛	99⅛	Do. 13⅛pc 23.7.90	99⅛	.....	13.63	13.61
105½	98½	Do. 3⅞pcIL Ln 2021	105⅛xd	-⅛	4.29	4.40

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
47	45	Met. Wtr. 3pc 'B'	46xd	.....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
45	40	Greek 7pc Ass	40	.....	3.50	†8.75
45	40	Do. 6pc 28 Stb. Ass.	40xd	.....	3	†7.50
45	40	Do 4pc Mixed Ass.	40xd	.....	2	†5.00
80	65	Hung. '24 Ass.	88	.....	2.75	†3.57
139⅛	128⅛	Hydro Quebec 15pc 2011.	134¼	+⅛	15.00	10.81
128⅛	118⅛	Iceland 14½pc Ln 2016.	125⅛xd	+⅛	14.50	11.43
97¾	91½	Ireland 9¾pc '91-96	92¾xd	-¼	9.75	11.30

AMERICANS

1989 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
40⅞	26⅛	Abbott Laboratories‡	39⅛xd	-⅛	$1.40	-	2.2
579p	361p	♦Allegheny & W 1c	449p	-10	30c	-	4.2
18⅞	12⅛	Amax $1	17⅛xd	-⅛	80c	-	2.8
11⅜	6	Ambase Corp $1	10xd	-⅛	20c	-	1.3
15	865p	Amdahl 5c	971pxd	+26	h10c	-	0.7
37⅞	25½	Amer. Cyanamid $5	36¼	-⅛	$1.35	-	2.4
24⅛	14⅛	Amer. Express 60c	23⅞xd	-¼	84c	-	2.2
16¼	854p	Amer. Medical Int. $1	15⅞	-¼	♦72c	-	2.9
25¾	15¼	American T & T $1	24⅞	-⅛	$1.20	-	3.1
39¾	26⅛	Ameritech $1	38⅝	-⅛	h$2.92	-	4.8
659p	535p	♦Asiamerica Equity‡	544p	-10	-	-	-
21⅛	9⅞	BankAmerica $1⅞	20⅝xd	-⅛	60c	-	1.8
35⅞	19⅛	Bankers N.Y. $1	33⅛xd	-2¼	$2.08	-	4.0
63	38½	Bell Atlantic $1	61¼	-1⅜	$4.08	-	4.2
33¼	19⅝	BellSouth Corp	31⅞	-⅛	$2.52	-	5.0
15⅞	12⅛	♦Bethlehem Steel $8	14⅛xd	+⅛	-	-	-
11⅝	868p	♦Bio-Rad Labs. A	11¼	.....	-	-	-
20¼	15¼	Bowater Inc.	18¼	.....	$1.12	-	3.8
12⅞	9¼	Brunswick 75c	10⅞xd	-⅛	44c	-	2.6
42⅞	28¾	CPC Intnl. 25c	41⅛	-⅛	$1.60	-	2.4
798p	333p	California Engy	650p	-3	-	-	-
36⅛	17¼	Campbell Soup 15c	31⅛xd	-⅛	92c	-	1.9
25⅞	15⅛	Chase Manhattan $12½	25⅛xd	+⅛	$2.36	-	6.0
24½	17	Chem. Banking Corpn	23⅞	-⅛	$2.72	-	7.2
16⅞	13⅞	Chrysler $6¼	15⅝xd	-½	$1.20	-	4.9
22⅛	14⅛	Citicorp $1	20⅛xd	-⅝	$1.62	-	5.0
230p	107p	CityFed Fin. Corp.	165p	-17	4c	-	1.5
37⅛	25¼	Colgate-Palmolive $1	37⅛xd	-⅛	s$1.48	-	2.5
17	10¾	Cont'l Bank Corp $4	16½	-¼	86c	-	3.1
387½p	218p	♦Corporate Data Scnce	325p	.....	-	-	-
597p	278p	Cullinet Sftwr 1c	520p	-3	-	-	-
27½	21⅛	Dana Corp. $1	26¼xd	-¼	$1.60	-	3.9
12	854p	Data General	995p	-5	-	-	-
38⅛	28⅝	Dun & Bradstreet $1	37⅝	.....	$2.00	-	3.4
42⅝	30½	Eaton Corpn. 50c	42⅛	-½	h$2.00	-	3.0
11⅝	8⅞	Echlin Inc.	10¾	-⅛	70c	-	4.1
20⅞	16⅞	FPL Group 1c	19⅞xd	-[illegible]	$2.28	-	7.3

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Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

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AMERICANS—Contd

[illegible]

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[illegible]

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[illegible]

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[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

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Finance, Land, etc

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
75	38	Gopeng Berhad M$0.50	75	.....	†Q10c	2.0	3.0
84	47	Malaysia Mng 10c	70	...	Q5c	4.0	1.6
180	120	Petaling SM1	160	...	Q87c	1.0	12.4
150	90	Sungei Besi SM1	125	...	Q70c	1.4	12.7
90	90	Tanjong 15p	90g	....	—	—	—

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☨ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◊ Merger bid or reorganisation in progress
- ‡ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ₮ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

Stocks previously listed under Shipping are now included in the Transport sector, as are others heretofore dispersed under several other headings.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	97	+1
Craig & Rose £1 γ	830	...
Finlay Pkg 5p γ	88	+2
Holt (Jos) 25p γ	1330	–13

IRISH

Cap. 8½% Ln 1991 γ	£97¼	......
9pc Cap Ln. 1996 γ	£99	.....
Fin. 13% 97/02 γ	£119	....
Arnotts γ	420	–2
Carrol (P.J.) γ	162	+1
Hall (R. & H.) γ	170	.....
Helton Hldgs γ	92	......
Irish Ropes γ	212	.....
United Drug γ	148	–2

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons γ	38
Amstrad γ	11
BAT γ	80
BOC Grp. γ	42
BSR γ	6½
BTR γ	32
Barclays γ	42
Blue Circle γ	24
Boots γ	25
Bowaters γ	44
Brit Aerospace γ	52
British Steel γ	7½
Brit. Telecom. γ	21
Burton Ord γ	18
Cadburys γ	46
Charter Cons γ	48
Comm Union γ	32
Courtaulds γ	30
FKI γ	14
FNFC γ	22
Gen Accident γ	85
GEC γ	20
Glaxo γ	110
Grand Met γ	48
GUS 'A' γ	90
Guardian γ	18
GKN γ	34
Hanson γ	16
Hawker Sidd γ	60
ICI γ	100
Jaguar γ	28
Ladbroke γ	28
Legal & Gen. γ	26
Lex Service γ	33
Lloyds Bank γ	29
Lucas Inds γ	58
Marks & Spencer γ	15
Midland Bk γ	30
Morgan Grenfell γ	24
Nat West Bk γ	25
P & O Dfd γ	55
Plessey γ	22
Polly Peck γ	26
Racal Elect. γ	20
RHM γ	42
Rank Org Ord γ	80
Reed Intnl γ	34
STC γ	32
Sears γ	10
Smithkline Bchm. A γ	58
TI γ	38
TSB γ	10
Tesco γ	14
Thorn EMI γ	58
Trust Houses γ	24
T&N γ	18
Unilever γ	46
Vickers γ	18
Wellcome γ	42

Property

Brit Land γ	32
Land Securities γ	52
MEPC γ	50
Randsworth γ	28

Oils

Brit Petroleum γ	21
Burmah Oil γ	50
Calor γ	35
Charterhall γ	2½
Premier γ	9
Shell γ	32
Ultramar γ	26

Mines

Cons Gold γ	150
Lonrho γ	30
RTZ γ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar closes at day's high

LACK OF fresh factors kept the dollar in a fairly narrow trading range on the foreign exchanges yesterday. US personal income and personal spending both rose 0.7 per cent in July, in line with expectations, and creating barely a ripple in the market.

Attempts to push the dollar below DM1.9300 failed, tempting traders to push it back above DM1.9400, but a fall below DM1.9300 and a test of a technical support level of $1.9270 are not ruled out in the near future.

This may depend on tomorrow's figures on US unemployment and growth in non-farm payrolls, but unless the data are well out of line with expectations the dollar seems likely to drift quietly into a long weekend holiday in the US. Financial markets in the US will be closed on Monday for Labour Day.

The US August unemployment rate is expected to rise to 5.3 per cent from 5.2 per cent, but only a modest rise of around 68,000 is forecast for non-farm payrolls, against 169,000 in July.

After holding above DM1.9300 the dollar rose to finish at the highest level of the day in Europe, at DM1.9465, compared with DM1.9375 on Tuesday. The US currency also rose to Y143.70 from Y143.10, confounding forecasts made earlier in Tokyo that the dollar was likely to test Y142.50.

Against other major currencies the dollar advanced to SFr1.6775 from SFr1.6690 and to FFr6.5525 from FFr6.5250. According to the Bank of England the dollar's exchange rate index fell to 71.0 from 71.2, with the calculation taken before the late surge by the currency.

Sterling was quiet and featureless, with lack of economic news also meaning the pound held in a narrow range. The next UK data are the August official reserves on Monday, but not until retail sales figures for August are published the following Monday is the market likely to get an impression of whether the UK economy is being squeezed into a hard landing. The pound was firm in early European trading, supported by an overnight weakening of the dollar. Sterling was around ¼ cent higher at $1.5865 for much of the morning in London, but lost ground in common with other European currencies in the afternoon, to close 15 points lower at $1.5825.

Otherwise the pound was generally firm, rising to DM3.0800 from DM3.0700; to Y227.50 from Y226.75; to SFr2.6550 from SFr2.6450; and to FFr10.3700 from FFr10.3350. On Bank of England figures sterling's index rose 0.2 to 91.6.

A slowdown in French Gross Domestic Product growth provided support for the French franc. Second quarter GDP growth slowed to 0.7 per cent, from 1.3 per cent in the first quarter. This pushed the franc up against the D-Mark, as the French currency brushed aside Tuesday's news of a larger than expected french trade deficit in July.

The D-Mark was fixed at FFr3.3689 in Paris, compared with FFr3.3702 on Tuesday, with the West German currency falling below the FFr3.3700 support point.

£ IN NEW YORK

Aug.30	Latest	Previous Close
£ Spot	1.5790-1.5800	1.5855-1.5865
1 month	0.63-0.62pm	0.62-0.60pm
3 months	1.90-1.86pm	1.86-1.83pm
12 months	6.28-6.18pm	6.25-6.15pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

§ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Aug.29

CURRENCY MOVEMENTS

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Aug.29

OTHER CURRENCIES

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4316	+2.29	+1.06	±1.5424
Danish Krone	7.85212	8.07407	+2.83	+1.60	±1.6419
German D-Mark	2.05853	2.07696	+0.90	-0.33	±1.1019
French Franc	6.90403	6.99699	+1.35	+0.12	±1.3719
Dutch Guilder	2.31943	2.34094	+0.93	-0.30	±1.5019
Irish Punt	0.768411	0.778462	+1.31	+0.08	±1.6689
Italian Lira	1483.58	1491.08	+0.51	-0.11	±4.0815
Spanish Peseta	133.804	129.828	-2.97	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Aug.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5820-1.5930	1.5820-1.5830	0.67-0.64cpm	4.97	1.88-1.84pm	4.70
Canada	1.8595-1.8685	1.8595-1.8605	0.30-0.20cpm	1.61	0.78-0.64pm	1.53
Netherlands	3.46¼-3.47½	3.46¼-3.47¼	2-1⅞cpm	6.70	5½-5⅜pm	6.26
Belgium	63.95-64.50	63.95-64.05	32-28cpm	5.63	87-81pm	5.25
Denmark	11.88¾-11.97	11.88¾-11.89¾	4⅞-4⅜orepm	4.79	13½-12⅞pm	4.44
Ireland	1.1485-1.1550	1.1530-1.1540	0.40-0.35cpm	3.90	1.10-1.00pm	3.64

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc 64.05-64.15. Six-month forward dollar 3.57-3.52pm. 12 month 6.28-6.18pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 40.45-40.55.

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 9¼-8⅞ per cent; three years 9¼-9 per cent; four years 9¼-9 per cent; five years 9¼-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Prices held in narrow range

Financial futures contracts were confined to a narrow range yesterday as traders adjusted their positions ahead of the month end. Trading volume was particularly low, and with no UK economic statistics due for release this week, there was very little incentive to take out fresh positions.

Three-month sterling for December delivery traded within a five tick range and closed at 86.62, unchanged from Tuesday's close. UK long gilt futures were marginally higher at the close at 95-30 for September delivery, down from 95-31 at the start, but up from 95-26 on Tuesday. There appears to be little prospect of much movement today despite the pound's firmer tone. Activity in the US is likely to falter ahead of the closure on Monday for Labor Day. US Treasury bonds opened and closed at the same level of 96.11 against 96-05 previously.

West German Government bonds traded fairly briskly in comparison with other sectors. Values were marked down from the opening after call money rose sharply from yesterday's lows. However, the firmer tone is regarded as being a temporary measure. The September price opened at 94.50 and finished at 94.45, up from 94.41 on Tuesday.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

PHILADELPHIA SE £/$ OPTIONS

Previous day's open int: Calls 395,604 Puts 362,068 (All currencies)
Previous day's volume: Calls 18,138 Puts 18,103 (All currencies)

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm. Bk. N. East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williman Secs.	14
Bank Hapoalim	14	First National Bank Plc.	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
● Charterhouse Bank	14	McDonnell Douglas Bnk	14		
Citibank NA	14	Midland Bank	14		
City Merchants Bank	14	Mount Banking	14		
		Nat Bk. of Kuwait	14		

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EUROPEAN OPTIONS EXCHANGE

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Firmer tone

INTEREST RATES were slightly firmer in London yesterday despite sterling's better performance. End of month book squaring accounted for the slightly firmer tone, three-month interbank money finishing at 14-13{15/16} per cent from 13{15/16}-13⅞ per cent.

The Government's determination to bear down on inflation has effectively ruled out the possibility of an early cut in bank base rates. At the same time, there are fears that a further rise could stifle growth to the extent of being an over-kill.

UK clearing bank base lending rate 14 per cent from May 24

The Bank of England forecast a shortage of around £350m. Factors affecting the market included bills maturing in official hands and a take-up of bills, together with repayment of any late assistance draining £480m, and a rise in the note circulation of £35m. On the other hand, banks brought forward balances £85m below target.

The forecast was revised to a shortage of around £400m, but the Bank gave no assistance in the morning. A further revision took the forecast to a shortage of around £350m, and the Bank gave assistance in the afternoon of £241m through outright purchases of £4m of Treasury bills at 13¾ per cent and £213m of eligible bank bills in band 1 at 13¾-13{11/16} per cent. In band 2, it bought £24m of bank bills at 13¾ per cent. Late help came to £65m, making a total of £306m.

In New York, the US Federal Reserve drained reserves from the system through overnight matched sale and repurchase agreements. At the time of the intervention, overnight Fed funds were trading at 8⅞ per cent. This is still below the perceived target rate of 9 per cent, and the Fed may be tempted to take further reserves from the system today.

In Amsterdam, the Dutch National Bank added Fl 2.62bn of liquidity through a five-day special advances facility at an unchanged rate of 7.1 per cent. This replaces a maturing facility of Fl 1.57bn.

In Brussels, a total of BFr22.5bn was added to the money market through 14-day sale and repurchase agreements. Intervention rates were left unchanged, and the fresh facility replaced a maturing agreement of BFr23.2bn.

In Frankfurt, call money was sharply firmer at 6.50-6.70 per cent from 5.50-6.00 per cent on Tuesday as end of month pension payments drew funds from the market. However these funds are expected to flow back into the market today.

FT LONDON INTERBANK FIXING

MONEY RATES

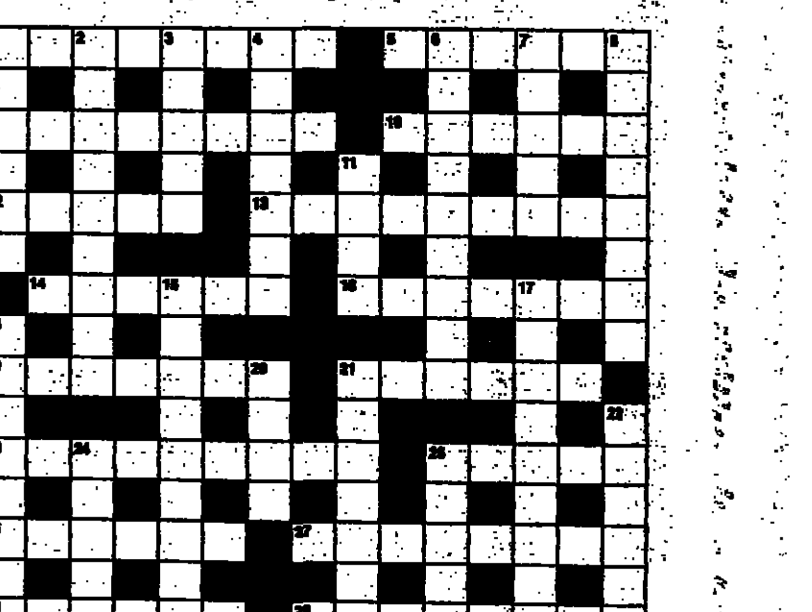
NEW YORK (Lunchtime) — Treasury Bills and Bonds

LONDON MONEY RATES

JOTTER PAD

CROSSWORD

No.7,025 Set by DINMUTZ



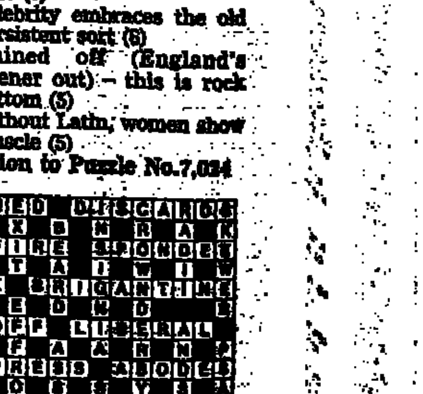
ACROSS

1 Is this aircraft self-banking? (8)
5 Climb a trail (6)
9 Old penny Iran used in exchange (8)
10 Passenger no longer can be fleeced (6)
12 Musical setting of sacred origin (5)
13 Overjoyed to find explanation in formal document (9)
14 Sound of drinker using this Roman vessel (6)
16 Power of endurance needed in a Main St. crash (7)
19 Matisse's last retail work from this studio? (7)
21 Crazy to free capital (6)
23 Honest air about girl from Segura, for example (9)
25 Rotten weather is general in street .... (5)
26 ..... all the signs of what is to come? (6)
27 Dilemma when, in France, a railway is cut (8)
28 Character of a shriek? (6)
29 Wet areas, perhaps (3-5)

DOWN

1 Sailor with pipe to lead off (6)
2 Argentine variety of citrus-tree? (9)
3 Dress-ring of film-star (5)
4 Stock collection of an entire range? (5-2)
6 Some protection for Barking people, would you say? (4-5)
7 Turn out – always on time (5)
8 One fated, perhaps, not to enjoy Beethoven (4-4)
11 A miss – rather short – dear me! (4)
15 Mini-banger producing oil-patch, a mess! (9)
17 Rain-tent I order to become a nomad (9)
18 Tips given to hatters (8)
20 Track of a wader (4)
21 Capacity of an American bar? (7)
22 Celebrity embraces the old persistent sort (6)
24 Rained off (England's opener out) – this is rock bottom (5)
25 Without Latin, women show muscle (5)

Solution to Puzzle No.7,024



WORLD STOCK MARKETS

INDICES

NEW YORK — DOW JONES

	Aug 29	Aug 28	Aug 25	Aug 24	1989 High	1989 Low	Since compilation High	Since compilation Low
ϕIndustrials	2726.63	2743.36	2732.36	2734.64	2743.36 (28/8)	2144.64 (3/1)	2743.36 (28/8/89)	41.22 (2/7/32)
Home Bonds	93.16	93.00	93.01	93.04	94.15 (2/8)	87.35 (23/3)	–	–
Transport	1506.58	1492.89	1467.99	1448.79	1506.58 (29/8)	959.95 (3/1)	1506.58 (29/8/89)	12.32 (8/7/32)
Utilities	217.74	218.94	218.37	219.32	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

ϕDay's High 2757.60 (2748.10) Low 2704.98 (2710.74)

STANDARD AND POOR'S	Aug 29	Aug 28	Aug 25	Aug 24	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	349.84	352.09	350.52	351.52	352.09 (28/8)	275.31 (3/1)	352.09 (28/8/89)	4.40 (1/6/32)
Industrials	401.06	403.53	401.79	402.64	403.53 (28/8)	318.66 (3/11)	403.53 (28/8/89)	3.62 (21/6/32)
Financial	33.16	33.44	33.26	33.29	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	194.47	195.45	194.79	195.29	195.45 (28/8)	154.98 (3/1)	195.45 (28/8/89)	4.46 (25/4/42)
Amex Mkt. Value	380.94	381.67	381.18	381.45	382.24 (10/8)	305.24 (3/1)	382.24 (10/8/89)	29.31 (9/12/72)
NASDAQ Composite	466.57	467.19	466.75	465.88	467.19 (28/8)	378.56 (3/1)	467.19 (28/8/89)	54.87 (31/10/72)

	Aug 18	Aug 11	Aug 4	year ago (approx.)
Dow Industrial Div. Yield	3.44	3.43	3.41	3.79

	Aug 23	Aug 16	Aug 9	year ago (approx.)
S & P Industrial div. yield	2.88	2.87	2.86	3.29
S & P Indl. P/E ratio	14.40	14.44	14.49	13.57

TRADING ACTIVITY †Volume

Millions	Aug 29	Aug 28	Aug 25
New York	177.367	131.180	169.942
Amex	18.097	10.359	13.447
OTC	128.612	100.242	126.728

NEW YORK	Aug 29	Aug 28	Aug 25
Issues Traded	1,957	1,980	1,982
Rises	614	759	701
Falls	859	688	793
Unchanged	484	533	488
New Highs	107	91	137
New Lows	14	9	7

CANADA

TORONTO	Aug 29	Aug 28	Aug 25	Aug 24	1989 High	1989 Low
Metals & Minerals	3885.3	3811.8	3812.7	3840.0	3840.0 (24/8)	3207.5 (3/1)
Composite	3991.4	3968.1	3974.7	3979.5	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	2037.59	2023.23	2022.73	2023.07	2037.59 (10/8)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Texas Utilities (xd)	7,079,000	31¼	– ⅛	Upjohn	2,064,700	38⅜	+ 1
Texaco (xd)	5,189,600	49⅝	+ ⅛	Firemans Fd Cp	1,970,600	37¾	+ ⅛
AMR Corp	3,873,400	91½	+ 10¼	Ford Motor	1,815,800	52⅛	– ¾
Can Pacific	2,940,300	23¾	+ 1¼	Warner Com	1,726,600	64⅛	– ⅛
Am Medical Intl	2,180,800	25¼	– ⅛	First Cap	1,669,600	13⅛	+ ⅝

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug. 30	Aug. 29	Aug. 28	Aug. 25	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1781.2	1781.8	1770.9	1765.2	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	871.0	875.1†	867.0	859.7	875 1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	438.04	430.89	422.19	416.28	438 04 (30/8)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6494.96	6511.07	6510.77	6489.52	6511.07 (29/8)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	334.61	337.61	339.05	340.09	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	772.3	771.8	778.5	782.2	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	520.8	520.8	523.2	523.1	523.2 (28/8)	417.9 (4/1)
Ind. Tendance (30/12/88)	123.3	123.4	123.7	124.0	124.0 (25/8)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	656.70	658.50	658.28	662.10	664.22 (10/8)	535.78 (27/2)
Commerzbank (1/12/53)	1966.1	1971.4	1978.9	1982.6	1990.1 (10/8)	1595.7 (27/2)
DAX (30/12/87)	1585.98	1597.24	1595.87	1604.38	1609 93 (10/8)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2505.40	2487.94†	(c)	2516.78	3309.64 (15/5)	2093 61 (5/6)
ITALY						
Banca Com. Ital. (1972)	730.73	731.43	732.48	731.27	732.48 (28/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34471.66	34687.65	34607.41	34739.9	35140.83 (21/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2607.07	2615.63	2610.29	2622.7	2659.08 (21/8)	2366.91 (6/1)
NETHERLANDS						
CBS Tu. Rtn. Gen. (End 1983)	263.6	261.7	262.3	264.9	266.2 (17/8)	208.3 (3/1)
CBS All Shr (End 1983)	204.4	202.9	203.5	205.5	207.0 (17/8)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	677.47	672.16	668.09	672.17	677.47 (30/8)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1350.21	1342.54	1345.96	1355.18	1387.01 (21/8)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1607.0ϕ	1594.0	1600.0	1615 0	1685 0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2823.0ϕ	2820.0	2829.0	2838.0	2838.0 (25/8)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	320.73	322.51	322.40	320.18	322.51 (29/8)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4562.1	4570.5	4598.9	4576.2	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	810.7	821.7	825.8	822.9	825.8 (28/8)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	537.2	536.4	538.8	551.2 (3/8)	487.6 (13/6)

ϕ Subject to official recalculation.
† Corrected figures.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday August 30 1989

3pm prices August 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
34⅛	21¾	AAR	.44	1.3	22	156	u34⅞	34½	34⅞	+ ⅜
10⅛	8⅞	ACM n	1.01	11.		163	9⅜	9¼	9¼	– ⅛
11⅝	10¼	ACMIn	1.25a	11.		427	11⅝	11½	11½	– ⅛
10⅛	8½	ACM M	n1.01	11.		247	9¼	9⅛	9¼	+ ⅛
11½	10	ACM Sc	1.26	11.		880	11⅜	11¼	11¼	– ⅛
9⅜	8⅝	ACMSp	1.01	11.		284	9¼	9⅛	9⅛	– ⅛
16	10⅞	AL Lab	.12	.8	17	42	15¾	15½	15½	– ⅛
4½	3⅛	AMCA	.12e	3.1	26	25	3⅞	3⅞	3⅞	
6⅛	4½	AM Intl				458	5⅝	5⅛	5⅛	– ⅛
29½	20⅞	AM In pf	2	9.0		38	22⅜	22⅛	22⅛	– ⅛
92	40⅞	AMR			11	29574	u96	92½	93¾	+ 2¼
27	25	ANR pf	2.67	10.		17	25¼	25¼	25½	+ ¼
7½	3⅝	ARX				62	4⅛	4⅛	4⅛	
44⅛	35½	ASA	3a	7.0		226	43¼	42¾	43	– ¼
22⅞	15¼	AVX	.24	1.2	9	303	19⅞	19⅝	19⅝	+ ⅛
66	44⅛	AbtLab	1.40	2.2	19	2954	63⅞	62⅞	62⅞	– ⅞
18⅛	13¾	AbitibI g	1			22	15¼	15⅛	15⅛	
13	7½	AcmeC	.40	3.6		30	11⅛	11⅛	11⅛	– ⅛
9⅛	5⅞	AcmeE	.32	3.4	11	10	9⅛	9⅛	9⅛	
34⅞	20⅛	Acuson			24	160	33⅞	33½	33⅝	
16⅞	14¼	AdaEx	1.82e	11.		56	16⅝	16½	16½	
11⅞	6½	Adobe				108	11½	11¼	11½	+ ¼
19⅛	16½	Adob pf	1.84	9.9		2	18¾	18⅝	18⅝	
21⅝	19⅞	Adob pf	2.40	11.		2	21	21	21	– ⅛
11⅞	7⅛	AMD				1063	8½	8¼	8¼	– ⅛
38	28¼	AMD pf	3	9.8		12	31	30¾	30¾	

Continued on Page 37

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18¾	9	RJamF	.20	1.1	9	15	18	18	18	− ⅛
20⅞	18	Rayonr	2.80	14.	5	40	19¼	19	19	
4⅝	½	vjRayc				2	2⅛	2⅛	2⅛	
81¼	64½	Raythn	2.20	2.8	10	793	80⅝	79½	79½	− ⅝
1⅞	9-32	ReadBt				6	11-32	5-16	5-16	− 1-32
17¼	15⅛	REIT	1.36	8.2	13	6	16¾	16⅝	16¾	+ ⅛
16⅞	13½	RltRef	1.72	11.	9	10	15¼	15⅛	15¼	
12⅝	6½	ReonEq				86	7⅞	7½	7⅝	− ⅛
15	6½	Reebok	.30	2.1	12	2595	14⅝	14⅜	14½	
7-16	7-64	Regal				17	3-16	5-32	5-32	
9⅛	5⅞	RegIFn	.25e	2.8		171	9	8⅞	8⅞	
15¼	12½	ReichTg	1.76	12.	10	65	15¼	15	15¼	+ ¼
8⅝	4⅛	RelGrp	.32	4.1	28	1097	7⅞	7⅝	7⅞	+ ¼
21¼	16¼	Repsol n				1455	20½	20¼	20¼	− ¼
6¼	4¼	RepGyp	.20	4.2	20	30	4⅞	4¾	4¾	
51⅝	41	RepNY	1.28	2.7	10	105	48⅝	48⅛	48¼	+ ⅛
16⅞	6⅝	Rxene	1a	14.	2	661	7⅜	7⅛	7¼	+ ⅛
33⅞	18¼	ReyRey	.76	2.9	9	20	26⅞	26⅝	26⅝	− ¼
62¼	48⅞	ReyMd	1.80	3.0	8	2718	60⅛	59⅛	59⅜	− ⅝
40¾	29¼	RiteAid	.82	2.1	17	272	40⅛	39	39½	− ½
12⅝	8⅛	Robtsn				158	11⅜	11¼	11⅜	
33½	21⅞	vjRobins			14	814	32⅝	31¾	31⅞	− ⅜
21⅝	16⅛	RochG	1.60	7.4	11	227	20⅝	20¼	20¼	
90	46⅞	RochTl	2.84	3.3	19	114	86½	85¾	86½	+ ½
20⅞	18½	RckCtr	1.84	9.3	18	175	19⅞	19¾	19⅞	+ ⅛
23⅝	18⅝	Rockwl	.76	3.3	8	3394	u23¾	23⅛	23½	+ ¼
9⅛	4⅞	RodRen				21	6	6	6	
37¼	30⅜	RohHaas	1.20	3.3	11	4216	36⅜	35	36⅛	+ ⅞
37⅞	25⅝	Rohr			16	78	31⅞	31⅝	31¾	
15⅞	9	RollinE	.06	.6		672	10¾	10⅝	10⅝	− ¼
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅛	11	StratMt	1.45e	[illegible]						
28	19	StridR s	.40	[illegible]						
7⅝	5¾	SuavSh		[illegible]						
12⅞	8½	SunDis	1.10e	[illegible]						
24¾	13¼	SunEl		[illegible]						
14½	11¼	SunEng	1.08e	[illegible]						
43	28	SunCo	n1.80	[illegible]						
63½	46¾	Sundstr	1.80	[illegible]						
4	2⅞	SunMn		[illegible]						
9⅛	8⅛	SunM	pf1.19	[illegible]						
26⅞	19¾	SupTrst	.76	[illegible]						
30¼	21⅞	SupVelu	.60	[illegible]						
25⅝	14¾	SybITc		[illegible]						
54½	35	Syntex	1.60	[illegible]						
56½	31⅞	Sysco	.36	[illegible]						
28⅛	13¼	SystCt		[illegible]						
		– T –								
28	10⅛	TCBY	.08	[illegible]						
17⅜	8⅞	TCF Fn	.40	[illegible]						
8½	7⅛	TCW	.84	[illegible]						
27⅞	22	TECO	1.52	[illegible]						
15½	8⅛	TGIF		[illegible]						
10⅛	5½	TIS	1.02e	[illegible]						
21⅛	14⅛	TJX	.40a	[illegible]						
22⅛	18½	TNP	1.56	[illegible]						
49⅞	40⅝	TRW	1.72a	[illegible]						
38	17⅜	TW Svc	.05j	[illegible]						
7⅜	11-32	TacBt		[illegible]						
42⅞	21½	Taiwan	8.50e	[illegible]						
17⅜	10¾	Talley	.50	[illegible]						
23	18¼	Talley pf	1	[illegible]						
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
15½	10½	Zemex	.40	3.6	122	4	11	11	11	
22⅞	16¾	ZenithE				408	16¾	16½	16¾	+ ⅛
10⅞	8⅞	Zenlnc	1.26	14.		102	9⅛	9	9⅛	+ ⅛
2¾	1⅛	vjZenLb				368	1⅝	1½	1½	
21½	15	ZenNtl	.84	4.1	9	319	20½	20¼	20½	
22⅞	14¾	Zero	.60	2.8	17	42	21⅞	21¾	21⅞	
17⅞	11⅝	Zero wi				4	17⅝	17⅝	17⅝	
44⅛	21½	Zurnln	.88	1.7	20	818	41¼	39⅝	40½	− ⅛
12	10	Zweig	1.09a	9.5		325	11⅝	11½	11½	− ⅛
10⅛	8¾	Zweig n	.96	10.		1188	9¾	9⅝	9⅝	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices August 30

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 30

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
WllyJ A	1.10	65 45	62½	61½	61½	− 1⅛
Willamt	1.45	8 179	54¼	53¼	54	
WilmTr	1.24	13 161	43¼	42	42½	− ¾
WiserO	.40	43 95	17	16⅝	16⅞	+ ⅛
Wolohn	.28	9 35	17¾	17½	17¾	
WlvEx h		151	8⅜	8¼	8⅜	
Worthg	.66	15 601	23½	23¼	23¼	− ½
Wyman	.80	184 213	18½	18¼	18⅜	− ⅛
– X – Y – Z –						
XL Dta s		18 314	23¼	23¼	23¼	
XOMA		3506	u21	19	20	+ ⅜
Xicor		8 5416	6⅛	5⅝	6	+ ⅜
YelowF	.76	11 2418	31¼	30⅞	31	− ¼
ZionUt	1.44	56	31¼	29¾	29¾	− 1½
Zycad		31	2⅞	2⅜	2¾	− ⅛

AMERICA

Dow falls back after optimistic opening

Wall Street

A ROUND of programme trading in the afternoon pushed the Dow Jones Industrial Average lower yesterday after an optimistic start, *writes Karen Zagor in New York*.

At 2 pm, the Dow Jones Industrial Average was down 9.11 points at 2,717.52 after rising 15.58 points at midday. Volume on the New York Stock Exchange was moderately heavy, with more than 122m shares changing hands by 1.30 pm. Declining issues had a slight edge over those advancing.

Among broader averages, the Standard & Poor's 500 Index rose 1.50 to 351.34 and the New York Stock Exchange Composite was up 0.76 at 195.23 at 1 pm.

Trading in the bond market was narrowly mixed through midday with the Treasury's bellwether 30-year bond rising ⅛ point to yield 8.18 per cent, before slipping back in the afternoon to fall 1/32 point, yielding 8.2 per cent. When Fed Funds were trading at 8⅞ per cent, the Federal Reserve entered the market to arrange overnight matched sales. The target rate for the funds, the rate at which banks lend to each other, is still believed to be 9 per cent to 9⅛ per cent.

The dollar moved higher in the afternoon to trade at Y143.95 and DM1.9535, above the previous day's New York close of Y142.88 and DM1.9330 but still lower than Monday's Y144 and DM1.9575.

Both debt and equity markets are looking to Friday's employment report for August which analysts expect to set the tone for economic and inflation figures.

Equities initially took strength from the morning's release of personal income and personal consumption data, although the figures had little impact on the debt market. Personal income was up 0.7 per cent in July and 0.5 per cent in June. The June figure had been estimated at 0.3 per cent. Personal consumption expenditure increased 0.7 per cent in July and 0.2 per cent in June. Analysts had expected July's personal income and consumption data to be up 0.8 per cent.

Transportation issues continued to lead the market. At 1 pm, the Dow Jones Transportation Index was up 24.36 at 1,530.94. Takeover speculation continued to fuel trading in the airline sector. AMR, parent of American Airlines, jumped $3⅛ to $93⅞ in heavy trading. On Tuesday the stock soared $10⅛. UAL, the parent of United Airlines which has received a bid of $275-a-share from Los Angeles investor Mr Marvin Davis, gained $3⅞ to $280⅜.

Among other airline issues, Pan Am was up $⅛ at $4⅞ and USAir gained $⅝ to $52⅝.

Texas Air, parent of the struggling Eastern and Continental Airlines, was one of the few airline issues to decline. Shares dropped $1⅛ to $21⅝.

Upjohn was one of the most active shares on the New York Stock Exchange for a second consecutive day on takeover rumours. Shares jumped $2⅝ to $40⅞.

Philip Morris slipped $1 to $162⅝ after the tobacco company's board approved a four-for-one stock split and increased the quarterly dividend.

Canada

THE COMPOSITE index passed the 4,000 level in Toronto, as general bullishness continued until midday.

Blue chip stocks were still being boosted by news that New York-based Morgan Stanley will add Canadian equities to its benchmark index of foreign markets. Among blue chip gains, Canadian Pacific rose C$⅞ to C$28⅞.

The composite index rose 14.4 to 4,005.7, with advances leading declines by 279 to 211 on volume of 20m shares.

EUROPE

Consolidation holds sway in continental day

WORDS like consolidation and correction tripped off European tongues yesterday, as bourses ran out of reasons to rise, *writes Our Markets Staff*.

ZURICH tumbled in thin trading as investors with paper profits finally decided to take them. The Crédit Suisse index dropped 13.4, or 2 per cent to 659.7 as selling, which began in the banking and insurance sectors, moved later to chemicals.

There was an attempt to blame the fall in banks on the Swiss Cartel Commission, which made cartel-breaking noises on Tuesday, but other observers said that the market had peaked, held its peak while corrections were seen elsewhere, and finally dropped yesterday when domestic investors came off the fence.

FRANKFURT ran out of buyers for blue chips. Some stocks fell through their support levels in a market which tends to act on chart signals, and where lack of liquidity can exaggerate the effect of small selling.

The FAZ index closed 1.80 lower at 656.70. Market volume remained thin, and virtually unchanged on the day at DM3.9bn. The DAX index ended 11.26 down at 1,585.98.

However, down among the blue chips, Daimler-Benz fell DM14 to DM824, giving up some of the gains prompted by American buying last Friday. Deutsche Bank dropped DM7.50 to DM657; traders said that Deutsche is a bellwether stock, has more long positions taken in it than Commerzbank or Dresdner, and is more susceptible to selling when a support level is broken, as it was yesterday.

PARIS was characterised by a mood of anticipation over the Suez bid for Compagnie Industrielle and Groupe Victoire. Prices moved little and the OMF 50 index eased just 0.44 to 518.44 in volume estimated at around or slightly below FFr2bn.

As investors awaited a move from Mr Jean-Marc Vernes, chairman of Industrielle, in response to the hostile bid, Victoire fell FFr14 to FFr1,800 and Suez added FFr2.10 to FFr367. The bourse regulatory authorities said Industrielle would be requoted on Friday unless there was a counter-offer; the deadline for such an offer was extended until midnight tonight.

Elsewhere, Roussel Uclaf, the pharmaceutical subsidiary of Hoechst of West Germany, jumped FFr128 to FFr2,109 in a positive reaction to its 43 per cent rise in first half profits.

Cérus, the French holding company of Mr Carlo De Benedetti, jumped FFr18.30 to FFr455 in heavy trading of about 1.5 per cent of the company's equity capital. The company denied rumours that it had sold its 14.9 per cent stake in Yves Saint Laurent and put the rise down to foreign institutional buying.

Eurotunnel saw hefty profit-taking, falling FFr5.65 to FFr75.30; brokers are reported to be lowering their forecasts for annual rates of return on the stock in the light of the group's need for extra money to fund cost overruns.

MILAN closed mixed to slightly lower in active trading, with profit-taking offset by buying orders from abroad. The Comit index eased 0.70 to 730.73 in what is now described as a phase of consolidation.

AMSTERDAM regained some of its buoyancy thanks to strong interim results from Aegon, the insurance company, and from the publishing sector. The CBS tendency index rose 1.4 to 191.7 in fair volume of Fl 852m.

Aegon rose 30 cents to Fl 108.50 after its 22 per cent profits rise, which had been slightly underestimated by the market.

Publisher Wolters Kluwer rose 30 cents to Fl 50.90 before news of its 25 per cent profits increase, while Elsevier gained 80 cents to Fl 80.30 and VNU Fl 5.60 to Fl 105.50 after their higher results on Tuesday.

Philips attracted attention, particularly from the US, on signs that it was concentrating on its basic and profitable businesses with the disposal of its defence interests, said one salesman. The stock rose Fl 1.50 to Fl 42.80.

Hoogovens recovered a further Fl 5 to Fl 101.10.

MADRID suffered from further profit-taking after its strong gains last week. Constructions led the way down as the general index shed 1.78 to 320.73. Turnover, which reached a healthy $108m on Tuesday, was thought to be slightly lower.

STOCKHOLM clawed back some early losses, closing only slightly lower. The opening was influenced by the previous day's results from Volvo, which were at the low end of expectations. Volvo free B shares, which fell overnight in New York, closed SKr9 down at SKr489.

OSLO reached a record high for the second consecutive session, as foreign and local investors bought blue chips. The all-share index added 3.30 to 525.43.

VIENNA climbed to its eighth successive all-time peak. The bourse index rose 5.46 to 460.51.

BRUSSELS closed after a dull session in which most shares suffered from profit-taking and ended lower. The cash market index was down 16.11 at 6,494.96.

COPENHAGEN eased on profit-taking after a series of half-year results by leading companies. The bourse index lost 3 to 334.61.

SOUTH AFRICA

GOLD SHARES closed a little up, but below their day's highs in quiet trading in Johannesburg. A higher bullion price triggered the rises.

ASIA PACIFIC

Steels hard hit in wave of profit-taking

Tokyo

A DEARTH of new ideas kept buyers out, and share prices receded in sluggish trading, *writes Michiyo Nakamoto in Tokyo*.

In a market which has already suffered from a lack of direction, losses in recently popular issues triggered a wave of profit-taking which brought the Nikkei average down 215.99 to close at 34,471.66. The day's high was 34,758.99 and the low was 34,423.28.

Declines far outnumbered advances, by 602 to 342, while 162 issues were unchanged. Turnover was slack at 519m shares – down from Tuesday's 561m. The Topix index of all listed shares fell 8.56 to 2,607.07; in London the ISE/Nikkei 50 index closed down 1.05 at 2,039.99.

Yesterday's downturn more than cancelled out a mild rally on Tuesday – the market's first rise after five consecutive losses. The Nikkei average fell to its lowest point since July 24. This was partly triggered by a report by one of the big securities houses, which revised estimates for Japan's steel companies downwards through next year.

Although steels have been neglected recently, the news dampened activity and investors moved quickly to unwind positions in steels and other large capitalisation issues.

Nippon Steel, the most actively traded issue at 16.4m shares, fell Y6 to Y799. Kawasaki Steel and Sumitomo Metal Industries both hit lows for the year – Kawasaki down Y4 to Y857 and Sumitomo down Y6 at Y774. Mitsubishi Heavy Industries, second in volume terms at 8.6m shares, lost Y20 to Y1,140 and Kawasaki Heavy Industries dropped Y40 to Y1,020 in active trading.

The downward revisions in the securities house's estimates cast a shadow over the market, which has been going for issues offering quick profits, good earnings prospects and low price/earnings ratios. Electricals also suffered profit-taking in this atmosphere. Toshiba, the leading electronics group, retreated Y20 to Y1,300. It was third in volume with 7.6m shares. Sony lost Y130 to Y8,780.

Paper companies also fell back substantially, after reports that paper prices had turned lower in Tokyo for the first time in two and a half years. Oji Paper dropped Y100 to Y1,660.

Interest remained in potential merger and acquisition candidates, following the announcement on Tuesday of the planned merger between Mitsui and Taiyo Kobe banks. Mitsui, however, closed unchanged at Y2,550, after rising to a high of Y2,680, up Y100 during the day. Taiyo Kobe also closed unchanged at Y1,930.

Other banks were actively traded, with 29 hitting new highs, accounting for a quarter of all the issues which attained new highs on the first section of the Tokyo Stock Exchange yesterday. Interest stemmed from speculation that the planned merger would lead to a restructuring of the banking industry and that the smaller banks might also consider mergers. Among the gains was Ogaki Kyoritsu Bank, which rose Y20 to Y1,060.

In Osaka the OSE average slipped 14.31 to close at 34,932.27. Volume fell to 64m shares from the 91m traded on Tuesday. Toyo Sash, which has been bought on expectations of better business results, surged Y330 to Y8,050.

Roundup

THE PREVIOUS day's trend was reversed yesterday in Asia Pacific markets, with Australia edging down and Hong Kong and Singapore recovering.

AUSTRALIA ran out of steam as profit-taking offset renewed buying to leave the index little changed after a run of five post-crash highs. The All Ordinaries index ended down 0.6 at 1,781.2 in active turnover of 201m shares worth A$284m.

Wall Street's decline on Tuesday night was blamed for a weak start, but blue chips and resources stocks attracted some fresh interest before shares turned down again late in the day.

In the resources sector, MIM slightly disappointed expectations, although it more than doubled net profits and the share price shed 7 cents to A$2.72. Pasminco was up 5 cents at A$2.73 after reporting a maiden net profit of A$163.3m.

NEW ZEALAND climbed sharply as strong local and foreign demand encountered a shortage of sellers. The Barclays index rose 55.27 to 2,416.19.

HONG KONG reversed much of Tuesday's loss, recovering the 2,500 level, but turnover remained thin and trading directionless. The Hang Seng index rose 17.46 to 2,505.40, helped by foreign buying in volume worth HK$506m – slightly below Tuesday's HK$569m.

SINGAPORE closed higher, after a late burst of institutional buying across the board, and the Straits Times industrial index finished up 7.67 at 1,350.21. Turnover remained modest at 59m shares, a little higher than Tuesday's 55m.

TAIWAN fell heavily in the last hour of trading, led by a decline in the construction sector, and the weighted index ended 225.81 points – 2.3 per cent – lower at 9,812.54 in smaller turnover than Tuesday.

Australians who believe independence is priceless

Chris Sherwell on a pair of 'traditional' brokers

Terry Campbell (left) and Bruce Teele: complementary

IN THE unprepossessing trading room of Melbourne-based brokers JB Were & Son, the sign on the board near the institutional desk is blunt. "The beatings will continue until staff morale improves," it declares.

In fact morale is high. JB Were is one of only half a dozen firms making money in the slack, post-1987 Australian market. The country's last leading independent house, it is the only Australian broker readily compared with "traditional" firms abroad such as Cazenove or Goldman Sachs.

Such solid standing in a notoriously shaky industry owes much to Mr Bruce Teele and Mr Terry Campbell. Respectively executive chairman and managing director, they joined the firm on the same day in 1959 and run it as a complementary pair.

Mr Teele, an energetic 52 in spite of a childhood polio disability, has been a vigorous defender of the firm's independence. He once told a persistent US suitor, who pressed hard to know at what price Were would surrender, to pile gold bars high enough to see from his window. Mr Teele's office is on the fifth floor.

"Independence is good business as well as having an emotional and historical element to it," he says. "Our philosophy has always focused on relationships: we never act against a client. That's easier if you're independent."

"We're not even sure we have a right to sell out after 150 years," says Mr Campbell, 47, referring to Jonathan Binns Were, who started the business after arriving from Britain in late 1839, when Melbourne had recently been settled and supported only 5,000 residents.

It was Were's great-grandson, Staniforth Ricketson, who recruited Teele and Campbell. Mr Ricketson ran the firm like a patriarch from the First World War until the 1960s.

Not only did he instil the values which now permeate the firm's business, he initiated the comprehensive research effort which remains part and parcel of the Were operation. He also opened an office in London in 1928, years before any other Australian broker thought of doing so.

Nowadays there is an office in New York and another opening in Tokyo. But there is no possibility of blurring the focus of the firm, which is Australian stocks. When clients want to invest in US, European or Japanese companies, Mr Teele says, the firm points them to brokers who can help.

Not surprisingly, it has taken some big breaks and shrewd decisions to see the firm through the wholesale deregulation of Australia's financial sector in the 1980s. An important one was the acquisition of a software system which keeps both client and company records. So was the decision not to add staff during the pre-1987 boom.

"We worked our people hard and paid them well in the boom," says Mr Campbell, "but we took on temps and casuals to help. After the crash there was a gradual unwinding because of the backlog. Now we're down to our core staff."

The biggest break came in 1986, when Broken Hill Proprietary (BHP), Australia's largest company by far, dropped Potter Partners as its broker and switched to Were. The main reason was Potter's decision to side with Mr Robert Holmes à Court, the Perth predator then in full assault on BHP.

That period also saw an attempt by Australian companies to protect themselves, quite legally, by taking reciprocal shareholdings in each other. "Australia 2000," as it was known, was Mr Teele's brainchild. It became the subject of an official inquiry that led to nothing, because Mr Teele had cleared the whole plan with the authorities.

In spite of the enormous changes to Australia's securities industry in recent years, Mr Teele says that the firm is "doing what it has always done, which is to do what it does even better."

There have been missed opportunities, but in Mr Teele's view, the industry "has only just reached the end of the first round of a long heavyweight contest." Mr Campbell agrees: he is sure that there is not enough room for the large number of brokers in Australia. Neither man doubts that JB Were & Son will survive – and in its present form.

This is the latest article in a weekly series.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY AUGUST 29 1989						MONDAY AUGUST 28 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	156.74	+1.3	146.70	136.52	+0.9	4.57	154.73	146.38	135.24	157.12	128.28	144.37
Austria (19)	150.26	+1.8	140.64	151.48	+0.6	1.60	147.63	139.66	150.60	150.26	92.84	86.52
Belgium (63)	134.54	+0.5	125.93	134.87	-0.2	4.10	133.84	126.62	135.13	137.97	125.58	111.18
Canada (123)	152.60	+0.7	142.83	129.58	+0.7	3.11	151.59	143.41	128.65	153.59	124.67	117.52
Denmark (36)	198.25	+0.2	185.55	203.77	-0.4	1.54	197.79	187.11	204.66	219.89	165.35	121.02
Finland (26)	137.87	+1.1	129.04	127.19	+0.6	2.16	136.33	128.98	126.45	159.16	125.81	116.89
France (126)	129.84	+1.2	121.53	132.89	+0.0	2.84	128.35	121.42	132.95	133.44	112.57	90.24
West Germany (100)	96.97	+0.8	90.76	97.67	-0.3	2.09	96.19	91.00	97.99	100.53	79.56	74.29
Hong Kong (48)	104.03	-1.3	97.37	104.33	-1.3	5.31	105.40	99.71	105.65	140.33	86.41	99.60
Ireland (17)	156.86	+0.5	146.82	160.69	-0.5	2.61	156.15	147.72	161.45	166.69	125.00	127.98
Italy (97)	96.73	+1.0	90.53	100.41	-0.1	2.24	95.76	90.60	100.49	96.73	74.97	71.20
Japan (455)	183.02	+1.0	171.30	165.55	+0.2	0.48	181.25	171.47	165.27	200.11	164.22	158.65
Malaysia (36)	188.43	-0.6	176.36	195.72	-0.5	2.49	189.58	179.35	196.74	193.38	143.35	133.04
Mexico (13)	286.66	+0.8	268.31	801.74	+0.6	0.63	284.40	269.06	796.97	286.66	153.32	153.24
Netherland (43)	125.79	+0.7	117.73	125.30	-0.5	4.14	124.86	118.12	125.87	130.67	110.63	100.23
New Zealand (20)	84.32	+1.5	78.92	75.61	+0.9	4.57	83.11	78.63	74.93	86.04	62.64	72.30
Norway (24)	185.30	+1.7	173.44	178.20	+0.9	1.45	182.28	172.44	176.56	198.39	139.92	109.44
Singapore (26)	163.99	+0.5	153.49	148.65	+0.3	1.88	163.18	154.37	149.25	170.62	124.57	117.49
South Africa (60)	148.45	+2.9	138.95	139.26	-0.4	4.00	144.21	136.42	139.79	154.97	115.35	111.99
Spain (43)	160.94	+1.1	150.63	147.83	+0.0	3.48	159.24	150.65	147.84	160.94	143.14	141.24
Sweden (35)	187.34	+0.3	175.34	182.27	-0.3	1.91	186.74	176.67	182.81	188.94	138.45	111.94
Switzerland (64)	92.46	+0.5	86.54	95.67	-0.7	1.97	92.03	87.06	96.36	94.16	67.81	75.30
United Kingdom (307)	154.83	+0.4	144.92	144.92	-0.7	4.04	154.20	145.88	145.88	158.41	133.28	123.56
USA (550)	142.31	-0.6	133.20	142.31	-0.6	3.25	143.20	135.47	143.20	143.20	112.13	107.29
Europe (1000)	129.96	+0.7	121.64	126.47	-0.4	3.25	129.10	122.14	127.00	132.62	112.63	100.63
Nordic (121)	171.02	+0.5	160.07	163.15	-0.2	1.75	170.22	161.03	163.43	178.38	137.95	107.01
Pacific Basin (670)	179.15	+0.9	167.68	162.22	+0.2	0.71	177.47	167.90	161.94	194.72	160.44	155.71
Euro-Pacific (1670)	159.60	+0.9	149.38	147.81	+0.0	1.55	158.25	149.71	147.85	166.98	141.56	133.68
North America (673)	142.82	-0.5	133.68	141.52	-0.5	3.24	143.60	135.85	142.28	143.60	112.79	107.83
Europe Ex. UK (693)	114.17	+0.9	106.86	115.06	-0.2	2.66	113.20	107.09	115.36	116.28	96.30	88.30
Pacific Ex. Japan (215)	132.69	+0.5	124.19	120.48	+0.3	4.49	132.03	124.90	120.17	137.65	111.93	120.31
World Ex. US (1866)	159.33	+0.9	149.13	147.35	+0.0	1.63	157.96	149.44	147.35	168.35	141.49	132.92
World Ex. UK (2109)	151.93	+0.4	142.20	145.69	-0.2	1.98	151.38	143.21	145.92	155.66	136.98	122.92
World Ex. So. Af. (2356)	152.20	+0.4	142.45	145.64	-0.2	2.15	151.68	143.48	145.94	155.92	136.67	123.02
World Ex. Japan (1961)	137.79	+0.0	128.97	135.60	-0.5	3.30	137.84	130.40	136.23	138.23	114.51	105.86
The World Index (2416)	152.17	+0.4	142.43	145.59	-0.2	2.17	151.81	143.43	145.89	155.89	136.68	122.96

Latest prices were unavailable for this edition.
Constituent change 30/8/89:Deletion:Prime Computer (US).